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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

COMMISSIONERS

SUSAN BITTER SMITH, Chairman BOB STUMP ROBERT BURNS DOUG LITTLE TOM FORESE 2015 AUG 17 A 11: 35

AZ CORP COMMISSIO : DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF CHINO MEADOWS II WATER CO., INC. FOR A RATE INCREASE.

DOCKET NO. W-02370A-14-0231

NOTICE OF FILING REBUTTAL TESTIMONY

Chino Meadows II Water Co., Inc. ("Chino Meadows") hereby provides notice of filing its rebuttal testimony in the above-captioned case.

Respectfully submitted on August 17, 2015, by:

Arizona Corporation Commission

DOCKETED

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all

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman BOB STUMP BOB BURNS DOUG LITTLE TOM FORESE

IN THE MATTER OF THE APPLICATION OF CHINO MEADOWS II WATER COMPANY, INC. FOR APPROVAL OF A RATE INCREASE DOCKET NO. W-02370A-14-0231

REBUTTAL TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
CHINO MEADOWS II WATER COMPANY, INC.
AUGUST 17, 2015

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REBUTTAL TESTIMONY OF

RAY L. JONES ON BEHALF OF

CHINO MEADOWS II WATER COMPANY, INC.

August 17, 2015

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EXECUTIVE SUMMARY

- 2 Mr. Jones responds to the direct testimony of the Arizona Corporation Commission's Utilities
- 3 Division Staff, including their positions regarding rate base, operating income, cost of capital and
- 4 rate design, focusing on the points of disagreement between Staff and the Company.
- 5 Additionally, Mr. Jones sponsors the Company's rebuttal revenue requirement and updated
- 6 schedules provided with this testimony as *Exhibit RLJ-RB2*.
- 7 Mr. Jones' proposed revenue requirements and associated rate increases are summarized as
- 8 follows:

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9	<u>Reveni</u>	ue Requirement	Revenue Increase	<u>% Increase</u>
10	Chino Application	\$497,378	\$139,014	38.79%
11	Staff Direct	\$357,985	\$0	0.00%
12	Chino Rebuttal	\$402,603	\$44,618	12.46%

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1	I	INTRODUCTION
2	Q.	PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE
3		NUMBER.
4	A.	My name is Ray L. Jones. My business address is 18835 North Thompson Peak
5		Parkway, Suite 215, Scottsdale, AZ 85255, and my business phone is (623) 341-4771.
6	Q.	ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?
7	A.	I am testifying on behalf of the Applicant, Chino Meadows II Water Company, Inc.
8		("Chino" or "Company").
9	Q.	BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?
10	A.	I am the owner and principal of ARICOR Water Solutions LC ("ARICOR"), a consulting
11		firm providing services to the water and wastewater utility industry.
12	Q.	WHAT WAS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND
13		BEFORE GOING TO WORK FOR ARICOR?
14	A.	I began my working career with Citizens Utilities Company ("Citizens") in 1985 as a
15		Staff Engineer for the Maricopa County water and wastewater division. I was employed
16		at Citizens for 17 years, ascending to Vice President and General Manager for the
17		Arizona water and wastewater operations. In 2002, American Water ("American")
18		purchased the water and wastewater assets of Citizens, and I joined American as the
19		President of Arizona-American Company. I left American in 2004 to start ARICOR.
20		I received a Bachelor of Science in Civil Engineering in 1985 from the University of
21		Kansas, and a Master of Business Administration in 1991 from Arizona State University.
22		I am a Registered Professional Engineer in Arizona and California and a Grade 3
23		Certified Operator in Arizona for all four water and wastewater classifications. I

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specialize in water resource issues, regulatory strategies, rate case filings and water and wastewater utility management and operations.

In addition to my consulting practice, I am the Executive Director of the Water Utilities Association of Arizona ("WUAA"). Founded in 1961, WUAA is a non-profit association representing Arizona's private, regulated water and wastewater utilities.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. In my time with Citizens and American, I prepared or assisted in the preparation of multiple filings before the Arizona Corporation Commission ("Commission"), including rate applications and certificate of convenience and necessity ("CC&N") filings. Since starting ARICOR, I have prepared several filings and assisted in the preparation of several more filings before the Commission, including rate applications and CC&N filings. I have also provided testimony in all of these cases before the Commission. A summary of my regulatory work experience is included in my resume attached hereto as *Exhibit RLJ-RB1*.

II PURPOSE OF TESTIMONY

- 16 Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY FILED BY STAFF IN
 17 THIS CASE?
- 18 A. Yes, I have reviewed the testimony of Teresa B. Hunsaker and Jian W. Liu.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will respond to the direct testimony of Staff, including their positions regarding rate base, operating income, cost of capital and rate design, focusing on the points of disagreement between Staff and the Company. Additionally, I will sponsor the

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Company's rebuttal revenue requirement and updated schedules provided with this testimony as *Exhibit RLJ-RB2*.

III PRELIMINARY STATEMENTS AND GENERAL RESPONSE TO STAFF TESTIMONY AND POSITIONS

- Q. HOW ARE THE COMPANY'S POSITIONS AND TESTIMONY IN THIS CASE INTERRELATED WITH THE POSITIONS AND TESTIMONY PRESENTED IN THE RATE APPLICATION OF THE COMPANY'S AFFILIATE, GRANITE MOUNTAIN WATER COMPANY ("GRANITE")?
- A. Chino and Granite are sister companies operated from a common office using common staff. In addition, a third much smaller company, Antelope Lakes Water Company ("Antelope") is affiliated with Chino and Granite and operated from the common office using common staff as well. As discussed by Staff witness Hunsaker, the position taken in one case can impact the position in the other case, particularly with respect to allocated common costs. For this reason the positions taken in both cases, in addition to being evaluated independently, must be evaluated as a whole and in consideration of the overall impact to the combined operations of Chino and Granite.

Q. WHAT IS THE COMPANY'S INTITAL REATION TO STAFF'S TESTIMONY?

A. The Company thanks Staff for what is clearly a thorough evaluation of both Chino and Granite. Staff has done an excellent job of dealing with the complexity of the interrelation between the operations of Chino and Granite and presented positions in the cases that are mathematically consistent and complete across both of the rate filings. Staff's positions and proposed adjustments are presented in a detailed and understandable manner. Although the Company does not fully agree with all aspects of the various adjustments proposed by Staff, the Company believes the positions presented by Staff are

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in large part reasonable. Therefore, the Company will accept most of Staff's proposed adjustments in an effort to limit issues and demonstrate the Company's commitment to improving its operations and meeting Staff's expectations concerning record keeping and cost accounting.

Q. WHAT ARE THE SIGNIFICANT OVERALL ISSUES THAT THE COMPANY WOULD LIKE TO ADDRESS?

A. The Company's most significant overall concern is with Staff's proposed allocation of common costs between Chino, Granite, and Antelope. The Company has historically used customer counts as a basis of allocation. Staff is proposing to move to a more complex 4-factor common cost allocation method that shifts costs and revenue away from Chino, the largest and most significant of the three affiliates. Staff's proposal significantly shifts costs and revenue to Granite and to a lesser degree to Antelope.

Both Granite and Antelope are new, small companies with, relative to Chino, fewer customers, higher levels of plant investment and, in the case of Granite, higher rates. Shifting costs to Granite—a company with fewer customers and significantly higher rates than Chino—will create revenue instability both for Granite and the water companies as a whole. Additionally, Granite is facing a significantly higher percentage increase in these interrelated cases. Accordingly, it is very likely that Granite will under-collect its authorized revenue by a significant magnitude. If the authorized revenue for Granite cannot be collected, common expenses may not be covered, which would harm the operations of both Chino and Granite.

It is also concerning that Staff's proposal would move the companies contrary to industry trends. The Commission and industry are exploring ways to encourage consolidation and to make it easier for small water companies to be acquired by larger, better capitalized

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A.

companies. Unfortunately, the cost shift embedded in Staff's recommendation would discourage consolidation or acquisition. The two companies, Chino and Granite, would be moved farther apart in terms of rates, increasing the complexity of any future consolidation or acquisition.

Q. HOW SIGNIFICANT IS THE CHANGE IN STAFF'S PROPOSED COST ALLOCATION?

It is very significant. The Company has historically used customer counts as the basis of most common cost allocations and currently uses customer count as the only method of allocating common costs. The resulting current common cost allocation is 88% to Chino and 12% to Granite. In contrast Staff's proposed allocation is only 70.12% to Chino with 26.93% going to Granite and 2.95% going to Antelope. This change in allocation shifts a very significant \$49,006 in common costs away from Chino, where they are far more likely to be collected, to Granite and Antelope where they are almost certain to be undercollected and in the case of Antelope, not collected at all. The cost shift is so severe that the increase recommend by Staff for Granite is actually larger than what the Company originally requested, even though Staff has disallowed substantial costs and rate base proposed by Granite. In contrast, Staff recommends no increase at all for Chino.

The Company will present a more balanced, simplified approach to cost allocation that moves incrementally toward Staff's allocation while providing both Chino's and Granite's reasonable opportunities to recover the common costs related to the operation of both companies.

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Q. ARE THERE OTHER AREAS OF DISAGREEMENT WITH STAFF THAT YOU WILL ADDRESS IN YOUR REBUTTAL TESTIMONY?

A. The only significant rate base disagreement concerns Staff's recommendation to disallow portions of its plant due to records being destroyed when the Company's offices were destroyed by fire. The loss of plant records was beyond the Company's control, so all documented plant costs should be allowed in its rate base. The only significant issue regarding expenses, other than the cost allocation issue previously discussed, is a partial disagreement with the disallowance of a portion of Mr. Levie's salary. The remaining differences are largely the fall-out impacts from the above discussed disputes.

IV REBUTTAL REVENUE REQUIREMENT

Q. WHAT IS CHINO'S REBUTTAL REVENUE REQUIREMENT?

A. Chino's rebuttal revenue requirement is shown on Schedule RLJ-1 Rebuttal. Chino is now requesting a revenue increase of \$44,995, an increase of 12.57% over adjusted test year revenues of \$357,985. The reduction in revenue requirement, as compared to the Company's original filing, is attributable to the Company adopting, either in whole or in part, a number of rate base and expense adjustments recommended by Staff.

Q. WOULD YOU SUMMARIZE CHINO'S AND STAFF'S REVENUE REQUIREMENT POSITIONS?

A. The proposed revenue requirements and associated rate increases are summarized as follows:

21	Reven	ue Requirement	Revenue Increase	% Increase
22	Chino Application	\$497,378	\$139,014	38.79%
23	Staff Direct	\$357,985	\$0	0.00%
24	Chino Rebuttal	\$402,603	\$44.618	12.46%

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A.

V <u>COMPANY'S REBUTTAL ADJUSTMENTS</u>

A RATE BASE ADJUSTMENTS

Q. HAS THE COMPANY UPDATED ITS RATE BASE POSITION?

A. Yes. As discussed below and presented in Schedule RLJ-2, the Company has updated is position on rate base.

Accepted Rate Base Adjustments

Q. WHICH RATE BASE ADJUSTMENTS PROPOSED BY STAFF HAS THE COMPANY ACCEPTED?

A. The Company accepts Staff Adjustments No. 3, No. 4, No. 5 and No. 6, but opposes rate base adjustments 1, 2, 7, and 8.

Staff Rate Base ADJ No. 1 – Unsupported Plant

Q. WHY DOES THE COMPANY OPPOSE STAFF RATE BASE ADJUSTMENT NO. 1?

Staff Adjustment No. 1 would remove 10% of the cost of \$42,759 of plant in service from rate base by increasing the Company's CIAC balance by \$4,276. This reduction to rate base is reduced by intervening amortization of the CIAC balance. The Company has supported this plant through accounting records and there is no dispute that the amount represents plant in service. The Company cannot provide detailed invoices for the plant because all of the Company's records were destroyed when the Company's offices were destroyed by fire. Despite the Company's best efforts, the Company was only able to obtain duplicate support for some of its plant. Unfortunately, the Company was unable to obtain source documentation for this portion of the destroyed records because vendors were out of business or had purged their records. The fire was an event not within the Company's control and it has made all reasonable efforts to reconstruct its plant records.

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The fire was damaging enough to the Company. Further damaging the Company financially by disallowing rate base would be punitive and should be rejected.

Staff Rate Base ADJ No. 2 - CIAC From Insurance Proceeds

Q. DOES THE COMPANY OPPOSE STAFF RATE BASE ADJUSTMENT NO. 2?

A. No. The Company has adopted the increase to CIAC of \$6,130 as recommended by Staff. However, the Company believes that Staff has made a minor mistake in the calculation of the off-setting CIAC amortization by using the wrong amortization period (.5 years instead of 1.5 years). Additionally, the Company's Rebuttal CIAC amortization adjustment is calculated on a composite basis and takes into account the impact of Staff's other plant adjustments on the amortization rate. Although the differences are minor, the Company believes its Rebuttal CIAC amortization adjustment supported by Schedule RLJ-2 Rebuttal, Pages 5.1 and 5.2 is more comprehensive and should be adopted.

Staff Rate Base ADJ No. 7 - Accumulated Depreciation

Q. WHAT IS THE COMPANY'S DISAGREEMENT WITH STAFF RATE BASE ADJUSTMENT NO. 7?

A. There is no disagreement in methodology or underlying plant balances. However, Staff's Schedule TBH CM-11 contains a calculation error. The calculation of accumulated depreciation is overstated because it does not take into consideration the fully depreciated plant in Plant Accounts 330.1, 330.2, 331, 333, 339, and 345 per Decision No. 72896. The Company's accumulated depreciation adjustment [2.2] shown on Schedule RLJ-2, page 4, and supported by the calculation presented on Schedule RLJ-2 Rebuttal, Pages 6.1 to 6.5, should be used as the basis of determining the Company's accumulated depreciation balance.

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1		Staff Rate Base ADJ No. 8 – Working Capital
2	Q.	WHY DO THE COMPANY AND STAFF DISAGREE ON THE WORKING
3		CAPITAL ALLOWANCE?
4	A.	The difference is minor and due entirely to differences in adjusted test year expenses
5		discussed in the following section of testimony. The Company has updated it working
6		capital allowance to reflect its rebuttal position.
7		Summary of Rate Base Differences
8	Q.	WHAT ARE THE COMPANY'S AND STAFF'S CURRENT RATE BASE
9		POSITIONS?
10	A.	Staff is recommending a rate base of \$135,369 and the Company is recommending a rate
11		base of \$168,688, a difference of \$33,299.
12		B <u>INCOME STATEMENT ADJUSTMENTS</u>
13	Q.	HAS THE COMPANY UPDATED ITS INCOME STATEMENT POSITION?
14	A.	Yes. As discussed below and presented in Schedule RLJ-3, the Company has updated is
15		position on income statement items. We accept certain adjustments but oppose others.
16		Accepted Income Statement Adjustments
17	Q.	WHICH INCOME STATEMENT ADJUSTMENTS PROPOSED BY STAFF HAS
18		THE COMPANY ACCEPTED?
19	A,	The Company accepts Staff Adjustments No. 1, No. 2, No. 3 and No. 4.

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Staff Operating Income Adjustment No. 5 - Allocations

Q. WHAT ASPECTS OF STAFF INCOME STATEMENT NO. 5 DOES THE COMPANY OBJECT TO?

A. Staff Rate Base Adjustment No. 5 is a complex adjustment with multiple parts. The Company appreciates the work Staff put into the adjustment and contests only two very specific aspects of the adjustment. The Company disagrees with the full amount of Staff's disallowance of a portion of Mr. Levie's salary, and as previously discussed, the Company proposes a more balanced and simplified approach to cost allocation between Chino and Granite.

Q. WHAT ASPECT OF MR. LEVIE'S SALARY DISALLOWANCE DOES THE COMPANY WISH TO ADDRESS?

A. The Company objects to the deduction of 33% of total monthly hours as detailed on Line 14 of Schedule TBH CM-19g. The Company believes this deduction is unnecessary because the salary paid to Mr. Levie of \$37,700 already includes a deduction for Mr. Levie's time away from the office. As noted by Ms. Hunsaker, Mr. Levie is only a half-time employee of Chino and Granite. However, Mr. Levie is a half-time employee because he spends time away from the office and managing his other businesses. To remove costs a second time as recommended by Staff would be duplicative.

The Company proposes a total salary for Mr. Levie of \$33,027. This amount is arrived at by taking the actual salary paid to Mr. Levie of \$37,700 and deducting the \$4,673 deduction for duplication of effort with the Operations Manager as recommended by Staff. The Company's proposed pre-allocation salary of \$33,027 is a very reasonable salary for the Company President, who serves as the chief executive and legal counsel for

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both Chino and Granite, and should be adopted by the Commission. The resulting salary allocation to Chino for Mr. Levie is \$26,587.

Q. WHAT IS THE COMPANY'S POSITION ON COST ALLOCATION?

A. As previously discussed, the Company is very concerned about the abrupt cost shift from Chino to Granite that would result from Staff's recommended 4-factor cost allocation. Chino is an established, mature company that provides 75% of the combined revenue of Chino and Granite. In contrast, Granite is a new, small company that is struggling to grow and does not produce sufficient revenue to provide an adequate return on the relatively high plant investment. Shifting operating costs from Chino to Granite through aggressive allocation of costs will destabilize the revenue of both companies and negatively impact the common operation's ability to cover its common expenses and ultimately harm the operations of both Chino and Granite.

Q. ARE THERE SPECIFIC CONCERNS WITH THE 4-FACTOR USED BY STAFF?

A. The Company's primary concern is with the result of the proposed allocation rather than the methodology itself. The Company does find the factors used to be unusual. I have never seen Revenues or Sales (gallons pumped) used in a 4-factor allocation.

Additionally, the use of net plant, rather than gross plant is, in my experience, contrary to common practice and particularly problematic for Chino with its mature, depreciated rate base. Use of these four atypical factors introduces needless complexity for a small organization that needs simplicity to be successful.

Q. WHAT IS THE SPECIFIC ISSUE WITH THE USE OF NET PLANT?

A. As briefly explained earlier, Chino's authorized depreciation rates are clearly in excess of the actual physical depreciation of its plant. This has caused Chino's net plant balance to be unrealistically low and not representative of the scope of the Company's operation.

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Gross plant would be a much better measure of the relative scope of Chino's operation. However, even gross plant falls somewhat short of presenting an accurate portrayal of Chino. This is because Chino was originally acquired by Mr. Levie through a bankruptcy sale and, pursuant to Commission orders, the Company's books reflect the discounted purchase price rather than the actual original cost of the original plant in service. Chino's aging plant further distorts the relationship between the two companies. Chino's older plant requires significant staff effort as compared to Granite's relatively new plant. This reality is not captured when comparing even gross plant balances. So, it would also be inappropriate to rely too heavily on gross plant as an allocation factor.

Q. ARE THERE SPECIFIC CONCERNS WITH ALLOCATION COSTS TO ANTELOPE?

A. Yes. Antelope is a very small company with two customers and no possibility of any near-term growth. The total revenues of Antelope in 2014 were \$612.97, barely enough to pay the power bill and property taxes. Allocation of any costs to Antelope is premature and, put plainly, will not be collected and will harm the combined operation of the companies.

Q. WHAT IS THE COMPANY'S PROPOSAL?

A. The Company continues to believe that customer counts represent the simplest and most accurate way for Chino to allocate costs and that customer counts should dominate any cost allocation model between Chino and Granite. However, the Company acknowledges that plant balances are traditionally used in cost allocation and in an effort to move toward Staff's approach, proposes to include gross plant in the calculation. Specifically the Company has used test year customers, projected 2018 customers (five-year forward looking), and gross plant to arrive at a cost allocation. The Company weights the

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23

1 customer counts 2.5x each for a total customer count weighting of five times, compared 2 to gross plant which is given single weighting. The result is an allocation of 80.5% to 3 Chino and 19.5% to Granite. The Company proposes to use this allocation on a going-4 forward basis beginning with 2016. 5 Q. HAS THE COMPANY PREPARED WORKPAPERS SHOWING HOW THE 6 COMPANY'S TREATMENT OF MR. LEVIE'S SALARY AND ITS PROPOSED 7 COST ALLOCATION AFFECT STAFF'S OPERATING INCOME **ADJUSTMENT NO. 5?** 8 9 A. In order to provide simplicity and clarity, the Company has recalculated Staff Operating 10 Income Adjustment No. 5 using Staff's Excel workbook. The impacted Schedules are 11 TBH CM-19a, TBH CM-19c, TBH CM-19e, and TBH CM-19g. Copies of those 12 schedules as modified by the Company are attached as *Exhibit RLJ-RB3*. 13 Depreciation Expense - Company ADJ IS-6 (Staff Income Statement ADJ No. 6) 14 Q. HAS COMPANY ADJUSTMENT IS-6 BEEN UPDATED? 15 A. Yes. The Company and Staff are in agreement regarding depreciation expense 16 methodology with the difference in depreciation expense resulting from differing levels 17 of CIAC being amortized due to the disagreement regarding Staff Rate Base ADJ NO. 1. 18 Q. WHAT ABOUT THE DIFFERENT POSITION ON DEPRECIATION RATES 19 FOR PLANT ACCOUNTS 311 AND 341? 20 A. As is evidenced by the Company's zero net plant balances for Plant Accounts 311 and 21 341, the depreciation rates recommended by Staff and authorized by the Commission for 22 Chino for these accounts are obviously excessive and in excess of the actual physical

depreciation of these categories of plant. Since the Company has no net plant in these

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accounts and therefore no depreciation expense, in an effort to limit issues, the Company will drop its request to change the depreciation rates for these accounts.

Property Tax - Company ADJ IS-7 - (Staff Income Statement ADJ No. 7)

Q. HAS COMPANY ADJUSTMENT IS-7 BEEN UPDATED?

A. Yes. The Company and Staff are now in complete agreement regarding the methodology for calculating property tax expense and agree on test year property tax expense.

However, Property Tax Expense is included in the Gross Revenue Conversion Factor.

Since the Company and Staff disagree on their revenue recommendations, the recommend property taxes at proposed rates are different.

Income Taxes ADJ IS-8 – (Staff Income Statement ADJ No.8)

Q. HAS COMPANY ADJUSTMENT IS-17 BEEN UPDATED?

A. Yes. The Company and Staff are now in complete agreement regarding the methodology for calculating income tax expense. The parties' test year income tax expense calculations disagree due to differing positions on test year expenses. Income Tax Expense is also included in the Gross Revenue Conversion Factor. Since the Company and Staff disagree on their revenue and expense recommendations the recommend income taxes at proposed rates are different.

VI RATE DESIGN

Q. HAS THE COMPANY PREPARED A RATE DESIGN TO SUPPORT ITS REQUESTED INCREASE?

A. Yes. The Company's proposed rate design is presented on Schedule RLJ-4. The rate design slightly lowers revenue collected from the base charge to 52.3% of revenue from 55.1% of revenue while slightly increasing commodity revenue. This rate design will promote revenue stability while encouraging conservation. Although the Company has

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only 5/8" x 3/4" residential meters, it has proposed a rate design for larger meters. The proposed large meter rate design break-over points are consistent with the rate design for Granite supported by both Staff and the Company. Lastly, to avoid unnecessary complexity, the Company has not proposed separate rates for small commercial meters.

VII <u>OTHER ISSUES</u>

Code of Conduct

- Q. WHAT IS THE COMPANY'S POSITION REGARDING THE DEVELOPMENT
 OF A CODE OF AFFILIATE CONDUCT (STAFF RECOMMENDATION NO. 6)?
- A. The Company is committed to improving its record keeping and cost accounting to address the issues raised by Staff in this case and to separate the costs related to unregulated affiliates from the cost related to Chino and the regulated affiliates. The Company does not oppose development of a Code of Affiliate Conduct as recommended by Staff. The Company notes, however, that while a Code of Affiliate Conduct would govern relationships and transactions between the regulated and nonregulated affiliates, it would only be adopted by the regulated affiliates and applicable to the transactions recorded by the regulated affiliates that are under Commission jurisdiction.

4-Factor Allocation and Use of Detailed Time Sheets

- Q. WHAT IS THE COMPANY'S POSITION REGARDING USE OF STAFF'S 4-FACTOR ALLOCATION METHOD AND DETAILED TIME SHEETS? (STAFF RECOMMENDATION NO. 5)?
- A. For the reasons discussed in this testimony, the Company opposes the use of Staff's 4-factor allocation model and instead proposes to allocate common costs 80.5% to Chino and 19.5% to Granite on a going-forward basis beginning with 2016. In regard to the use of detailed time cards, the Company does not support this as a separate recommendation.

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The Company believes the use of time cards can and should be incorporated into the Code of Affiliate Conduct.

Report of Corporate Cost Allocations

- Q. WHAT IS THE COMPANY'S POSITION REGARDING THE ANNUAL FILING
 OF A REPORT OF CORPORATE COST ALLOCATIONS (STAFF
 RECOMMENDATION NO. 4)?
- A. This recommendation is unnecessary. The Company intends, to the extent possible, to update its practices to eliminate cost allocations between its regulated and unregulated affiliates. The Company proposes to document these changes in the Code of Affiliate Conduct. Additionally, the current Staff recommendation is not detailed enough to allow the Company to determine what specifically would be reported.

Affiliate Receivables and Payables

- Q. WHAT IS YOUR UNDERSTANDING OF STAFF'S RECOMMENDATIONS
 REGARDING AFFILIATE RECEIVEABLES AND PAYABLES (STAFF
 RECOMMENDATION No. 3)?
- A. My understanding is that the recommendation contains a number of separate recommendations that are not all stated in the numbered recommendation. My understanding of the full recommendation is can be summarized as follows:
 - 1. The Company should collect all receivables from affiliates within one year from the Decision in this case.
 - 2. The Company should cease making any further personal loans or advances with Company funds.

Chino Meadows II Water Company, Inc. Docket No. W-02370A-14-0231 Rebuttal Testimony of Ray L. Jones Page 17 of 20

- 3. The Company should pay all payables to affiliates within 24 months of the Decision in this case.
- 4. The Company should obtain specific authorization by the Commission for indebtedness payable, including amounts appearing in affiliate payable accounts.

Q. WHAT IS THE COMPANY'S POSITION ON THE RECOMMENDATIONS?

A. The Company accepts parts 1 and 2 of the recommendation with the understanding the part 2 applies only to affiliates. For example, the Company does occasionally advance funds to unaffiliated employees with the funds being recovered from future pay checks. The Company believes this practice is consistent with industry practices and that it should be able to continue the practice.

The Company is concerned with parts 3 and 4 of the recommendation concerning transactions between the regulated affiliates and is unable to support the recommendations at the current time. The Company will support the recommendation with respect to unregulated affiliates.

Q. WHAT ARE YOUR CONCERNS WITH PARTS 3 AND 4 OF THE RECOMMENDATION?

A. As discussed in this testimony, the regulated affiliates are operated using common facilities and common staff and they are at different stages in their life cycles, with Chino being established and Granite and Antelope being relatively new companies dealing with high plant costs. The Company believes that the ability to use excess funds from one of the regulated affiliates to support the cash needs of another regulated affiliate is in the public interest, and the practice is consistent with the industry and Commission efforts to explore consolidation of smaller companies. Moreover, tracking these funds through the

Chino Meadows II Water Company, Inc. Docket No. W-02370A-14-0231 Rebuttal Testimony of Ray L. Jones Page 18 of 20

use of intercompany receivable/payable accounts is a convenient and efficient method to record the transactions that provides complete transparency to the Commission. As long as there is no interest charged and no expectation that the funds be repaid, as is the case here, there is no debt that requires approval by the Commission.

If Staff's recommendation is adopted, Chino and the other regulated companies would be forced to adopt burdensome, formalized policies and potentially obtain approvals prior to transferring funds. In all likelihood, the only solution to meeting the utilities' cash needs would be for the providing company to go through required corporate formalities and issue a potentially taxable dividend to Mr. Levie l. Mr. Levie would in-turn provide the after-tax portion of the dividend to the receiving company to be recorded as additional paid in capital. In the end, the companies would be in the same position—less any income tax effects—but efficiency and transparency would be lost. The Company requests that the Commission allow the Company to continue its current practice of tracking the transfer of funds from one regulated affiliate to another regulated affiliate through the use of intercompany receivable/payable accounts. If and to the extent this practice requires Commission approval, the Company asks the Commission to issue the required approval in this case or in the alternative waive the applicable requirement necessitating the approval.

¹ Note: Chino has multiple stockholders, all affiliated (family) with Mr. Levie.

Chino Meadows II Water Company, Inc. Docket No. W-02370A-14-0231 Rebuttal Testimony of Ray L. Jones Page 19 of 20

Interim Manager

Q. WHAT IS THE COMPANY'S POSITION REGARDING STAFF'S REQUEST FOR AUTHORITY TO APPOINT AN INTERIM MANAGER IF THE COMPANY VIOLATES THE CODE OF AFFILIATE CONDUCT?

As I understand it, Staff asks for authority, without further action by the Commission, to appoint an interim manager if the Company violates the adopted Code of Affiliate Conduct. I am not an attorney, but I am told that this authority would violate Chino's due-process rights guaranteed by the United States Constitution. I am told further that the 14th Amendment of the United States Constitution requires that a party receive notice and a fair hearing before being deprived of personal or property rights, where the hearing includes at least notice of the hearing, a hearing with the right to produce witnesses and examine adverse witnesses, and to have a full consideration and determination according to evidence before the body with whom the hearing is held. If Staff continues to make this recommendation, the Company will address the legal issue in its brief.

To my knowledge, the Commission has heretofore justified appointment of an interim manager only in extraordinary circumstances, where public health and safety is jeopardized. And in every case, the appointment followed a public hearing where the affected utility had notice, an opportunity to appear and present evidence, and the Commission issued an order containing findings of fact and conclusion of law. Staff asks to bypass these due-process safeguards by delegating to itself the ability to appoint an interim manager if it determined in its sole discretion that Chino had violated the Affiliate Code of Conduct. Yet, it is difficult to understand the relationship of any provision suggested by Staff to public health and safety.

Chino Meadows II Water Company, Inc. Docket No. W-02370A-14-0231 Rebuttal Testimony of Ray L. Jones Page 20 of 20

Further, Staff's request is not supported by the evidence in this case. The Company has been transparent and open in its dealings with Commission. There is no evidence of any willful violation of Commission rules or accounting standards. The Company has cooperated in accepting Staff's recommendations and otherwise correcting any accounting irregularities.

Finally, Staff's request would set dangerous precedent. In my experience, small water companies do not have and cannot afford the staffing or expertise necessary to understand and comply with every nuance of utility accounting and the Commission's rate-making requirements. Mistakes are made, and they happen even at the large water companies that have extensive staff dedicated to accounting and regulatory compliance. A continuing threat of confiscation of a small water company from its owner does not serve the public interest and would only make the difficult business of operating a small water company more difficult.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Chino Meadows II Water Company, Inc. Docket No. W-02370A-14-0231 Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB1

Resume Including Summary of Regulatory Experience





EXPERTISE

Mr. Jones founded ARICOR Water Solutions in 2004. Through ARICOR Water Solutions, Mr. Jones offers a wide range of engineering and financial analysis services to the private and public sectors. Projects include development of regulatory strategies and preparing rate cases, including preparation of rate studies, cost of service studies, financial schedules and testimony for filings before the Arizona Corporation Commission. Services also include consultation on water and wastewater utility formation, management and operations, and valuation, including due diligence analysis, water resources strategy development and water rights valuation. ARICOR Water Solutions provides water, wastewater and water resource master planning, water and wastewater facilities design, and owner representation; including value engineering, program management and construction oversight. Lastly, ARICOR Water Solutions supports water solutions with contract operations and expert witness testimony and litigation support.

EMPLOYMENT HISTORY

2002 to 2004

Arizona-American Water Company

President

Responsible for leadership of the Arizona business activities of Arizona-American Water Company. Key responsibilities include developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1998 to 2002

Citizens Water Resources, Arizona Operations

Vice President and General Manager

Responsible for leadership of the Arizona regulated and unregulated business activities of Citizens Water Resources. Key responsibilities included developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1990 to 1998

Citizens Water Resources, Arizona Operations

Engineering and Development Services Manager

Responsible for management of a diverse group of business growth related activities. Responsibilities include: marketing of operation and maintenance services (unregulated business growth), management of new development activity (regulated business growth), management of engineering functions (infrastructure planning and construction), management of water resources planning and compliance, management of growth-related regulatory functions (CC&N's and Franchises), and management of capital budgeting functions and capital accounting functions.

1985 to 1990

Citizens Water Resources, Arizona Operations

Civil Engineer

Responsible for the planning, coordination and supervision of capital expansion and major maintenance and rehabilitation projects as assigned. Responsible for development of capital program for Maricopa County Operations.

EDUCATION

Arizona State University – Master of Business Administration (1991) University of Kansas – Bachelor of Science in Civil Engineering (1985)



PROFESSIONAL CERTIFICATION

Registered Professional Engineer – Civil Engineering – Arizona Professional Engineer – Civil Engineering – California Certified Operator – Wastewater Treatment, Wastewater Collection, Water Treatment, Water Distribution – Arizona

PROFESSIONAL AFFILIATIONS

- Executive Director Water Utilities Association of Arizona
- Member American Society of Professional Engineers
- Member American Society of Civil Engineers
- Member American Water Works Association
- Member Arizona Water Association
- Member Water Environment Federation

CIVIC AND COMMUNITY INVOLVEMENT

- Board of Directors Greater Maricopa Foreign Trade Zone (2009 Present)
- Advisory Member Water Resources Development Commission (2010 2012)
- Chairman WESTMARC (2008)
- Director and Member of the Executive Committee- WESTMARC (1998 2010)
- Co-Chairman, WESTMARC Water Committee (2006 2007)
- Chairman-Elect WESTMARC (2007)
- Member Corporate Contributions Committee, West Valley Fine Arts Council Diamond Ball (Chairman 2005)
- Member Technical Advisory Committee Governor's Water Management Commission (2001)
- Board Member, Manager & Past Chairman North Valley Little League Softball

REGULATORY EXPERIENCE

Testimony has been provided before the Arizona Corporation Commission in the dockets listed below. Unless otherwise indicated testimony was provided on behalf of the utility.

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
1992	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-92-244
1993	Sun City Water Company Sun City Sewer Company	CC&N Extension (Addition of Coyote Lakes)	U-1656-93-060 U-2276-93-060
1993	Tubac Valley Water Co., Inc.	CC&N Extension (Various Subdivisions on western border)	U-1595-93-241
1993	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-93-293
1995	Citizens Utilities Company Sun City Water Company Sun City Sewer Company Sun City West Utilities Company Tubac Valley Water Company	Ratemaking	E-1032-95-417 U-1656-95-417 U-2276-95-417 U-2334-95-417 U-1595-95-417
1996	City Water Company Sun City Sewer Company	CC&N Extension (Acquisition of Youngtown)	U-1656-96-282 U-2276-96-282
1996	Citizens Utilities Company	CC&N Extension and Deletion (Realignment of Surprise Bdry.)	E-1032-96-518
1998	Sun City Water Company Sun City West Utilities Company	CAP Water Plan and Accounting Order (Sun Cities CAP plan)	W-01656A-98-0577 SW-02334A-98-0577



Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2000	Citizens Water Resources Company of Arizona Citizens Water Services Company of Arizona	CC&N Extension and Accounting Order (Anthen Jacka Property and Phoenix Treatment Agreement)	SW-3455-00-1022 SW-3454-00-1022
2000	Citizens Communications Company Citizens Water Services Company of Arizona	CC&N Extension and Approval of Hook-Up Fee (Verrado)	W-0132B-00-1043 SW-0354A-00-1043
2002	Arizona-American Water Company	Ratemaking	WS-01303A-02-0867 WS-01303A-02-0868 WS-01303A-02-0869 WS-01303A-02-0870 WS-01303A-02-0908
2004	Arizona-American Water Company Rancho Cabrillo Water Company Rancho Cabrillo Sewer Company	CC&N Transfer	WS-01303A-04-0089 W-01303A-04-0089 SW-03898A-04-0089
2004	Johnson Utilities Company, LLC (Representing Pulte Home Corporation)	CC&N Extension	WS-02987A-04-0288
2005	Perkins Mountain Utility Company Perkins Mountain Water Company	New CC&N & Initial Rates	WS-20379A-05-0489 W-20380A-05-0490
2005	West End Water Company	CC&N Extension	W-01157A-05-706
2005	Arizona-American Water Company	Approvals Associated with Construction of Surface Water Treatment Facility	W-01303A-05-0718
2006	Arizona-American Water Company	Ratemaking	WS-01303A-06-0403
2008	Sunrise Water Company	Ratemaking	W-02069A-08-0406
2009	Baca Float Water Company	Ratemaking	WS-01678A-09-0376
2009	Aubrey Water Company	Lost Water Evaluation (Rate Case Compliance)	W-03476A-06-0425
2009	White Horse Ranch Owner's Assn.	Ratemaking	W-04161A-09-0471
2010	Litchfield Park Service Company	Ratemaking	W-01427A-09-0104
2010	Chino Meadows II Water Company	Ratemaking	W-02370A-10-0519
2011	Pima Utility Company	Ratemaking	W-021999A-11-0329 WS-02199A-11-0330
2011	Tusayan Water Development Association, Inc. (Representing the Town of Tusayan)	Ratemaking	W-02350A-10-0163
2012	Valley Utilities Water Company, Inc.	Ratemaking	W-01412A-12-0195



Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2012	Far West Water & Sewer, Inc.	Ratemaking	WS-03478A-12-0307
2012	Sahuarita Water Company, LLC	Amend Off-Site Facilities Hook-Up Fee	W-03718A-09-0359
2012	New River Utility Company	Ratemaking	W-01737A-12-0478
2013	Far West Water & Sewer, Inc.	New Off-Site Facilities Hook-Up Fees	WS-03478A-13-0200
2012	Adman Mutual Water Company	Ratemaking	W-01997A-12-0501
2013	Far West Water & Sewer, Inc.	CC&N Extension	WS-03478A-13-0250
2013	Lago Del Oro Water Company	Ratemaking	W-01944A-13-0215
2013	Lago Del Oro Water Company	Financing	W-01944A-13-0242
2012	Sunrise Water Company	Financing	W-02069A-12-0261
2010	Far West Water & Sewer, Inc.	CC&N Extension	WS-03478A-10-0523
2014	Granite Mountain Water Co., Inc.	Ratemaking	W-02467A-14-0230
2014	Chino Meadows II Water Co., Inc.	Ratemaking	W-02370A-14-0231
2014	Quail Creek Water Company	Ratemaking	W-02514A-14-0343
2015	Cordes Lakes Water Company	Ratemaking	W-02060A-15-0245
2015	BN Leasing Corporation d.b.a. Aubrey Water Company	Ratemaking	W-03476A-15-0286

August, 2015

Chino Meadows II Water Company, Inc. Docket No. W-02370A-14-0231 Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB2 Rebuttal Schedules

Chino Meadows II Water Co., Inc.

Test Year Ended December 31, 2013 Computation of Increase in Gross Revenue Requirements Schedule RLJ-1 Rebuttal Page 1

			Operating Margin
Line			<u>Method</u>
No.			
1	Adjusted Test Year Revenue	\$	357,985
2			
3	Test Year Operating Income	\$	28,195
4	T 0		7,000/
5	Test Year Opearting Margin		7.88%
6 7	Required Operating Margin		15.00%
8	Required Operating Margin		13.00%
9	Required Operating Income	\$	60,390
10	· · ·		
11	Operating Income Deficiency	\$	32,196
12			
13	Gross Revenue Conversion Factor		1.3858
14			
15	Increase in Gross Revenue	\$	44,618
16 17	Adjusted Test Year Revenue	\$	357,985
18	Aujusteu Test Teal Nevenue	Ą	337,383
19	Proposed Annual Revenue	\$	402,603
20	•	•	,
21	Percent Increase in Gross Revenue		12.46%
22			
23			
24			

Schedule RLJ-2 Rebuttal Page 1

Chino Meadows II Water Co., Inc. Test Year Ended December 31, 2013 Summary of Original Cost Rate Base Elements

			Original
Line			Cost
No.		:	Rate Base*
1			
2	Gross Utility Plant in Service	\$	795,909
3			
4	Less: Accumulated Depreciation		(613,916)
5			
6	Net Utility Plant in Service		181,993
7			
8	Less:		
9	Advances in Aid of Construction		9,571
10			
11	Contributions in Aid of Construction		37,608
12	Accumulated Amortization of CIAC		(12,128)
13	Contributions in Aid of Construction - Net		25,480
14			
15	Customer Security Deposits		11,740
16	Deferred Income Taxes		-
17			
18	Plus:		
19	Working Capital		33,465
20	Net Regulatory Asset / (Liability)		-
21			
22	Rate Base	\$	168,668
23			
24	* including pro forma adjustments		
25			

Adjusted na End of ent <u>s</u> <u>Test Year</u>	(48,015) \$ 795,909	935 (613,916)	(47,080) 181,993		(3,649) 9,571		(9,497) (12,128)		1,144 11,740	1		(10.015) 33.465		(51,223) \$ 168,668	-			
Total Rebuttal Pro Forma <u>Adjustments</u> <u>Adjustments</u>	(48,015) \$ (48,	56,657	8,642 (47,		(3,649) (3,	6,130 6,			1,			(10,015) (10.		(2.730) \$ (51.				
ADJ Reb <u>OC-4</u> Adjusi	₩.		•					,	1,144					(1.144) \$				
ADJ <u>OC-3</u>			•			0	(8,374)	(8,374)						\$ 8.374 \$				
ADJ <u>OC-2</u>		(55,722)	- (55,722)											- \$ (55,722)				
ADJ <u>OC-1</u>	· •							·										
Actual End of <u>Test Year</u>	\$ 843,924	(614,851)	229,073		13,219	31,478	(2,631)	28,847	10,596	1		43,479		\$ 219,890				
	Gross Utility Plant in Service	Less: Accumulated Depreciation	Net Utility Plant in Service	Less:	Advances in Aid of Construction	Contributions in Aid of Construction	Accumulated Amortization of CIAC	Contributions in Aid of Construction - Net	Customer Security Deposits	Deferred income Taxes	Plus:	Working Capital	Net Regulatory Asset / (Liability)	Rate Base				
Line No.	1 10 11) 4 n	0 0	. ∞ .	o 5	11	12	13	15	16 17	18	19	20	22	23	25	56	

Test Year Ended December 31, 2013 Chino Meadows II Water Co., Inc. Rate Base Adjustment OC-1

Plant In Service Balance

Book Adjustments - (Included on Schedule B.2.1)

Equity Adj. 15,269 304,942 6,843 44,339 4,350 1,009 46,268 30,067 15,204 27,987 12,401 6,406 36,415 12,042 16,728 6,534 55,820 17,200 10,601 1,274 30,461 3,975 795,909 843,924 Test Year Adjusted End of [1.7] USED NOT Rate Making Adjustments [1.6] JSED NOT USED [1.5]Not 304,942 795,909 15,204 44,339 4,350 27,987 1,009 6,406 36,415 15,269 89,777 16,728 12,401 46,268 30,067 12,042 6,534 10,601 55,820 1,274 30,461 17,200 3,975 Adjusted **Test Year** Book End of (51,684)(48,015) (6,406)(8,729) 9 15,269 (40,749)(1,000)539 6,406 (2,812)Adjustments 36,415 494 3,975 No. 4, 5 & 6 [1.4] Staff s (10,107)10,107 [1.3] Reclass Entries Plant NOT [1.2] USED [1.1] NOT 6,843 27,448 44,339 4,350 1,009 12,401 46,268 6,406 51,684 30,067 777,68 12,042 16,728 9,346 96,569 1,274 36,036 304,674 31,461 843,924 Test Year End of Actual ď Distribution Reservoirs & Standpipes Collecting & Impounding Reservoirs Transmission & Distribution Mains Tools, Shop & Garage Equipment Power Generation Equipment Solution Chemical Feeders Other Plant & Misc Equipment Office Furniture & Equipment Water Treatment Equipment **Backflow Prevention Devices** Structures & Improvements Power Operated Equipment Communication Equipment Water Treatment Plants Transportation Equipment Lake, River, Canal Intakes Raw Water Supply Mains Miscellaneous Equipment Computers & Software Laboratory Equipment Land and Land Rights Pumping Equipment Other Tangible Plant Infiltration Galleries Organization Cost Pressure Tanks Stores Equipment Plant In Service per Books Storage Tanks Wells & Springs Franchise Cost Description Hydrants Services Meters 320.2 330.2 320.1 330.1 340.1 330 Act ġ 308 320 331 333 334 335 336 339 340 341 344 342

Total

(48,015)

¹ Adjusted plant in service balance including all book adjustments.

Increase / (Decrease) in Plant in Service

Chino Meadows II Water Co., Inc. Test Year Ended December 31, 2013 Rate Base Adjustment OC-2

raciation	ייייייייייייייייייייייייייייייייייייייי	
Date Der	3	
Accum		

Accum	lated [Accumulated Depreciation		Book Adjust	Book Adjustments - (Included on Schedule B.2.1)	d on Schedule	B.2.1)						
			ı	7	Updated for Rebuttal Filing	uttal Filing			Rate M	Rate Making Adjustments	nts		
Line				[2.1]	[2.2]	[2.3]	[2.4]	Adiusted	12.51	12.61	17.71		
Š.			Actual	eq	Difference		7	Book	?	(j	[7.7]	To to the	
1	Acct		End of		From Calc'd	TON	TON	Find of	TON	TON	TON	Adjusted Find of	
7	Ś	Description	Test Year	겉	on B-2.1	USED	USED	Test Year	USED	ISED	IS I	Test Vear	
ĸ											2250	1631	
4	301	. Organization Cost			6.507		v	6 507				,	
2	302	Franchise Cost			100/0		•					/nc/a ¢	
9	303	: Land and Land Rights			,			•					
7	304				35 228			. מרר זר					
∞	305				3.106			32,228				35,228	no 4
മ	306				00110			3,106				3,106	
10	307				202 75			, 00.80					
11	308				205,42			24,302				24,302	0 1
12	309	Raw Water Supply Mains			37.7			'				`	
13	310				1780			5//				775	
1 7	21.5				1,288			1,288				1,288	~
1 1	110				46,268			46,268				46,268	~
t t	320	Š						•				•	
9 ;	320							,				,	
1/	320				6,406			6,406				6.406	
18	330	Öis			•								
19	330.1				34,309			34.309				3/1 2/10	
20	330.2	2 Pressure Tanks			15,269			15,269				15 260	
21	331	Transmission & Distribution Mains			226,643			226 643				607,61	
22	333	Services			23,644			23 644				220,043	
73	334	Meters			85,496			85.496				25,044	
24	335	Hydrants			8,929			8 929				65,490	
22	336	Backflow Prevention Devices			, i			6,753				8,929	_
56	339	Other Plant & Misc Equipment			9 508			0010				' (
27	340				(870.1)			9,298				9,598	
78	340.1				(1,234)			(1,254)				(1,254)	<u>-</u>
56	341			0,00	4,655			4,855				4,855	
8	342			40,749	12,/41			53,490				53,490	_
31	343	Tools, Shop & Garage Foreignment			' 0			• ;				,	
32	344				808			808				808	
33	345	Power Operated Equipment			300 01			' '				•	
34	346				42,330			19,336				19,336	
35	347				0,510			8,316				8,316	
36	348	Other Tangible Plant			965			296				296	
27			•	- 1								, 	. 1
8 8		Equity Adjustments (Attachment 3, pg 2))	614,851 \$	40,749 \$	573,167 \$ 41,684 \$	ν ν	· ·	613,916 \$	√ • • •	\$,	,	\$ 613,916	رب 4
39													
9 1	Accum	Accumulated Depreciation per Books									•	\$ 614,851	1 1
4.7	ncreas	Increase / (Decreases) in Acrimiliated Depringuistion									•		
43	5										.,	\$ (935)	~II
44	-	¹ Adjusted accumulated depreciation balance including all book adjustments.	ook adjustment										

41,684

Contributions-In-Aid of Construction (CIAC) and Accumulated Amortization of CIAC

	CIAC		Accur	Accumulated
Calculated Balance at 12/31/2013	\$ 37,608	,608	•	\$ 12,128
Book Balance at 12/31/2013	\$ 31,478	1,478	δ.	2,631
Increase / (Decrease) in CIAC or AA CIAC	\$ 6,130	5,130	\$	\$ 9,497
Equity Adjustments (Attachment 3, pg 2))	\$ (6,130)	(130)	S	\$ 9,497

Line No. 1 1 1 2 2 3 3 5 5 6 6 6 110 111 111 113 113

Calculation of CIAC Balances

	Decision No. 72896	2010		2011	릐	2012	~ !	2013	m l
	Balance 12/31/2009	Additions	Balance	Additions	Balance	Additions	Balance	Additions	Balance
CIAC Accepted Staff Adjustment	23,984	(332)	23,649	1	23,649	7,829	31,478 6.130		37,608
Total CIAC	23,984	1 1	23,649		23,649		37,608	1 1	37,608
Amortization Rate			8.4299%		8.1148%		7.8250%		7.6969%
Amortization CIAC (half-yr convention) Amortization AIF (half-yr convention) ¹ Adjustment for Prior Period Amortization			2,008		1,919		2,397		2,895
Accumulated Amortization of CIAC	2,910	1 1	4,918		6,837	1 1	9,233	1 1	12,128
Net CIAC	21,074	1	18,731		16,812		28,375	1 11	25,480

Attachment No. 1 Supplemental Page 6.1

Chino Meadows II Water Co., Inc. Test Year Ended December 31, 2013 Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

			-) 000CE -14	0,007,007,00						20005
				2	Per Decision	rer Decision No. 72895 - 02/21/2012	2/21/2012	[5		Contorm	Conform Current Books to 72896	to /2896
	NARIIC		Allowed	[±] Plant In	[7]	Rook Plant	Accum	<u>.</u>	Non or Fully	Ξ	Ponk	Conforming	Adjusted
Line	Account		Deprec.	Service at	Post Test	at	Depr.	Net Plant	Depreciated	Depr'able	Plant at	Plant	Plant at
No.	S S	Description	Rate	12/31/2009	Year Plant	12/31/2009	12/31/2009	12/31/2009	Plant ¹	Plant	12/31/2009	Adjustment	12/31/2009
н	301	Organization Cost	0.00%	6,843		[1]+[2] 6,843	6,507	[3]-[4] 336	6,843	٠	6,843	[3]-[8]	[8]+[9] 6,843
7	302	Franchise Cost	0.00%			. 1		•	•	,		1	. '
8	303	Land and Land Rights	0.00%	15,204		15,204		15,204	15,204	•	15,204	•	15,204
4	304	Structures & Improvements	3.33%	44,339		44,339	29,322	15,017		44,339	44,339	•	44,339
2	305	Collecting & Impounding Reservoirs	2.50%	4,350		4,350	2,671	1,679		4,350	4,350	1	4,350
9	306	Lake, River, Canal Intakes	2.50%			,	,			•		,	,
7	307	Wells & Springs	3.33%	27,448		27,448	21,849	5,600	960'6	18,352	27,448	•	27,448
∞	308	Infiltration Galleries	%29'9			•	,	•		•		,	,
σ	309	Raw Water Supply Mains	2.00%	1,009		1,009	694	315		1,009	1,009	•	1,009
10	310	Power Generation Equipment	2.00%			•		ı		t		1	•
11	311	Pumping Equipment	12.50%	46,268		46,268	30,774	15,494		46,268	46,268	•	46,268
12	320	Water Treatment Equipment						•		•		•	
13	320	Water Treatment Plants	3.33%			1		1		1		•	,
14	320	Solution Chemical Feeders	20.00%	6,406		6.406	2.830	3.576		6.406	6,406	1	6,406
15	330	Distribution Reservoirs & Standpipes		•		,					•	ı	, '
16	330.1	Storage Tanks	2.22%	36,415		36,415	32,418	3,997	15,120	21,295	36,415	•	36,415
17	330.2	Pressure Tanks	5.00%	15,269		15,269	13,593	1,676	6,541	8,728	15,269	•	15,269
18	331	Transmission & Distribution Mains	2.00%	268,037		268,037	216,783	51,254	167,988	100,049	268,037	1	268,037
19	333	Services	3.33%	30,067		30,067	20,596	9,471	7,181	22,886	30,067	•	30,067
20	334	Meters	8.33%	84,857		84,857	56,072	28,785		84,857	84,857	•	84,857
21	335	Hydrants	2.00%	12,042		12,042	2,966	4,076		12,042	12,042	ı	12,042
22	336	Backflow Prevention Devices	9.67%			•		•		•		,	
23	339	Other Plant & Misc Equipment	9.67%	16,728		16,728	5,483	11,245	1,305	15,423	16,728	1	16,728
54	340	Office Furniture & Equipment	9.67%	9,346		9,346	6,503	2,843		9,346	9,346	ı	9,346
52	340.1	Computers & Software	20.00%	3,500	(3,500)	٠		1		3,500			,
56	341	Transportation Equipment	20.00%	88,633		88,633	30,697	57,936		88,633	88,633	1	88,633
27	342	Stores Equipment	4.00%			1		•		,		•	,
78	343	Tools, Shop & Garage Equipment	2.00%	949		949	561	388		949	949	•	949
59	344	Laboratory Equipment	10.00%			ı		•		1		1	•
30	345	Power Operated Equipment	2.00%	25,405		25,405	17,270	8,134	18,377	7,028	25,405	•	25,405
31	346	Communication Equipment	10.00%	22,084		22,084	6,239	15,844		22,084	22,084	•	22,084
32	347	Miscellaneous Equipment	10.00%			1		•		•		1	,
33	348	Other Tangible Plant	20.00%			•		1		•		•	1
34													
35		TOTAL		765,198	(3,500)	761,698	508,828	252,869	247,655	517,543	761,698		761,698
36			•						6				
37		Depreciable Plant											
38		Composite Depreciation Rate											
39													
40	Per Staff	40 ¹ Per Staff Depreciation Calculation											

Chino Meadows II Water Co., Inc.
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

			-						0100					
	NARUC		Allowed			Adjusted			Adjusted					
Line	Account		Deprec.	Plant	Plant	Plant	Plant	Unbooked	Plant	Salvage	Deprecation	Plant	Accum.	Net
<u>o</u>	N	Description	Rate	<u>Additions</u>	Adjustments	Additions	Retirements	Retirements	Retirements	A/D Only	(Calculated)	<u>Balance</u>	<u>Deprec.</u>	<u>Plant</u>
П	301	Organization Cost	0.00%			1			1		•	6,843	6,507	336
7	302	Franchise Cost	0.00%			٠			1		•		ı	1
3	303	Land and Land Rights	0.00%			•			ı		1	15,204	•	15,204
4	304	Structures & Improvements	3.33%			٠					1,476	44,339	30,799	13,540
2	305	Collecting & Impounding Reservoirs	2.50%						•		109	4,350	2,780	1,570
9	306	Lake, River, Canal Intakes	2.50%			•			1		•			•
7	307	Wells & Springs	3.33%			•			•		611	27,448	22,460	4,989
∞	308	Infiltration Galleries	6.67%			1			ı		1	•		•
6	309	Raw Water Supply Mains	2.00%			,					20	1,009	714	295
10	310	Power Generation Equipment	5.00%	933		933			•		23	933	23	910
11	311	Pumping Equipment	12.50%			•			•		5,783	46,268	36,557	9,711
12	320	Water Treatment Equipment							٠		١	•		•
13	320	Water Treatment Plants	3.33%			•			ı		•	•	ı	•
14	320	Solution Chemical Feeders	20.00%			٠					1,281	6,406	4,111	2,295
15	330	Distribution Reservoirs & Standpipes				•			ı		,	•		,
16	330.1	Storage Tanks	2.22%			•			ı		473	36,415	32,890	3,525
17	330.2	Pressure Tanks	5.00%			•					436	15,269	14,030	1,239
18	331	Transmission & Distribution Mains	2.00%	552		552			•		2,007	268,589	218,789	49,799
19	333	Services	3.33%						•		762	30,067	21,358	8,709
20	334	Meters	8.33%	3,780		3,780					7,226	88,637	63,298	25,339
21	335	Hydrants	2.00%			•			•		241	12,042	8,207	3,835
22	336	Backflow Prevention Devices	9.67%						ı		ı	•		,
23	339	Other Plant & Misc Equipment	9.67%			•			•		1,029	16,728	6,512	10,216
24	340	Office Furniture & Equipment	9.67%						•		623	9,346	7,127	2,219
22	340.1	Computers & Software	20.00%		4,282	4,282			1		428	4,282	428	3,854
56	341	Transportation Equipment	20.00%	(2,813)		(2,813)	3,000		3,000		16,864	82,820	41,747	41,072
27	342	Stores Equipment	4.00%			•			•		1	•	•	1
28	343	Tools, Shop & Garage Equipment	2.00%	324		324			1		56	1,274	617	657
53	344	Laboratory Equipment	10.00%			ı			•		•	•	•	1
30	345	Power Operated Equipment	2.00%	2,813		2,813			,		422	28,218	17,692	10,526
31	346	Communication Equipment	10.00%	5,006	(4,282)	724			,		2,245	22,808	8,484	14,324
32	347	Miscellaneous Equipment	10.00%			٠			•		•	•	,	1
33	348	Other Tangible Plant	20.00%						ì		•	1	1	•
34			'											
35		TOTAL		10,596	=	10,596	3,000	-	3,000	1	42,115	769,294	545,130	224,163
36			1											
37		Depreciable Plant										499,591		
38		Composite Depreciation Rate										8.4299%		
33														
40	Per Staff	¹ Per Staff Depreciation Calculation												

Chino Meadows II Water Co., Inc. Test Year Ended December 31, 2013 Reconciliation of Plant Additions, Retirements and Accumulated Depreciatior

									2011					
	NARUC		Allowed			Adjusted			Adjusted					
Line	Account		Deprec.	Plant	Plant	Plant	Plant	Unbooked	Plant	Salvage	Deprecation	Plant	Accum.	Net
No.	N N	<u>Description</u>	Rate	Additions	Adjustments	Additions	Retirements	Retirements	Retirements	A/D Only	(Calculated)	Balance	<u>Deprec.</u>	Plant
1	301	Organization Cost	0.00%			•			•		•	6,843	6,507	336
7	302	Franchise Cost	0.00%			•			1		ı	,	ı	
æ	303	Land and Land Rights	0.00%			•			•		•	15,204	ı	15,204
4	304	Structures & Improvements	3.33%			1			•		1,476	44,339	32,275	12,064
2	305	Collecting & Impounding Reservoirs	2.50%			•			1		109	4,350	2,889	1,461
9	306	Lake, River, Canal Intakes	2.50%			•			,		,	,	1	•
7	307	Wells & Springs	3.33%			•						27,448	23,071	4,377
∞	308	Infiltration Galleries	9.67%			•			1		,	•	ı	1
თ	309	Raw Water Supply Mains	2.00%			,			•		20	1,009	734	275
10	310	Power Generation Equipment	2.00%	5,300		5,300			1		179	6,233	202	6,031
11	311	Pumping Equipment	12.50%						,		5,783	46,268	42,340	3,927
12	320	Water Treatment Equipment				ı			•			. •	. •	. '
13	320	Water Treatment Plants	3.33%			,			•		•	•	1	•
14	320	Solution Chemical Feeders	20.00%			٠			į		1,281	6,406	5,393	1,013
15	330	Distribution Reservoirs & Standpipes				•			1		,	1	į	,
16	330.1	Storage Tanks	2.22%			•			•		473	36,415	33,363	3,052
17	330.2	Pressure Tanks	2.00%			1			•		436	15,269	14,466	803
18	331	Transmission & Distribution Mains	2.00%	36,353		36,353			•		2,376	304,942	221,165	83,777
19	333	Services	3.33%			•			•		762	30,067	22,120	7,947
70	334	Meters	8.33%			1			•		7,383	88,637	70,682	17,956
71	332	Hydrants	2.00%			•			•		241	12,042	8,448	3,594
22	336	Backflow Prevention Devices	9.67%			•					,			1
23	339	Other Plant & Misc Equipment	9.67%			,					1,029	16,728	7,540	9,188
54	340	Office Furniture & Equipment	9.67%			٠	9,346		9,346		312	0	(1,908)	1,908
52	340.1	Computers & Software	20.00%			ı			,		856	4,282	1,285	2,997
. 56	341	Transportation Equipment	20.00%	13,749		13,749			•		17,939	695'96	59,686	36,882
27	342	Stores Equipment	4.00%			•			1		ı	1	1	1
78	343	Tools, Shop & Garage Equipment	2.00%			1					64	1,274	089	593
53	344	Laboratory Equipment	10.00%			,			•		1	1		•
30	345	Power Operated Equipment	2.00%						•		492	28,218	18,184	10,034
31	346	Communication Equipment	10.00%			,	2,608		2,608		2,000	17,200	4,876	12,324
32	347	Miscellaneous Equipment	10.00%			,			1		1	ı	1	•
33	348	Other Tangible Plant	20.00%			,			,			•		•
34			i											
35		TOTAL		55,402	. 1	55,402	14,954	٠	14,954		43,823	809,742	573,999	235,742
36			•											
37		Depreciable Plant										540,040		
38		Composite Depreciation Rate										8.1148%		
40	¹ Per Staff L	¹ Per Staff Depreciation Calculation												

Chino Meadows II Water Co., Inc. Test Year Ended December 31, 2013

	Depreciation
	Accumulated
1	Retirements and
	Plant Additions,
	Reconciliation of

						:			2012					
_	NARUC		Allowed			Adjusted			Adjusted					
Line	Account		Deprec.	Plant	Plant	Plant	Plant	Unbooked	Plant	Salvage	Deprecation	Plant	Accum.	Net
No.	No.	Description	Rate	Additions	Adjustments	Additions	Retirements	Retirements	Retirements	A/D Only	(Calculated)	Balance	Deprec.	Plant
	301	Organization Cost	0.00%			1						6,843	6,507	336
7	302	Franchise Cost	0.00%			•			1		1	•		1
æ	303	Land and Land Rights	0.00%			•					,	15,204		15,204
4	304	Structures & Improvements	3.33%			i			i		1,476	44,339	33,752	10,587
S	305	Collecting & Impounding Reservoirs	2.50%			1			Ì		109	4,350	2,997	1,352
9	306	Lake, River, Canal Intakes	2.50%			ı			i		,	•	,	ı
7	307	Wells & Springs	3.33%			ı			•		611	27,448	23,682	3,766
∞	308	Infiltration Galleries	%29.9			•			•		•	1	,	
6	309	Raw Water Supply Mains	2.00%		3				ı		20	1,009	754	255
10	310	Power Generation Equipment	2.00%	6,167		6,167			1		466	12,401	999	11,732
11	311	Pumping Equipment	12.50%			,					3,927	46,268	46,268	,
12	320	Water Treatment Equipment				•			,		•	ı		
13	320	Water Treatment Plants	3.33%			•			,			t	1	1
14	320	Solution Chemical Feeders	20.00%			•			1		1,013	6,406	6,406	1
15	330	Distribution Reservoirs & Standpipes							•	,	•	•	,	
16	330.1	Storage Tanks	2.22%			•			•		473	36,415	33,836	2,579
17	330.2	Pressure Tanks	2:00%			•			1		436	15,269	14,902	366
18	331	Transmission & Distribution Mains	2.00%	•		•			,		2,739	304,942	223,904	81,038
19	333	Services	3.33%			•			•		762	30,067	22,882	7,185
70	334	Meters	8.33%			•			•		7,383	88,637	78,065	10,572
21	332	Hydrants	2.00%			ı			ı		241	12,042	8,688	3,353
77	336	Backflow Prevention Devices	9.67%						•	Ť		1		
23	339	Other Plant & Misc Equipment	9.67%			,			ı		1,029	16,728	8,569	8,159
24	340	Office Furniture & Equipment	9.67%		6,534	6,534			ı		218	6,534	(1,690)	8,223
22	340.1	Computers & Software	20.00%		6,130	6,130			,		1,469	10,412	2,754	7,658
56	341	Transportation Equipment	20.00%			•			•		19,314	96,569	79,000	17,569
27	342	Stores Equipment	4.00%			•			ı		,	•	ı	
78	343	Tools, Shop & Garage Equipment	2.00%			•			•		49	1,274	744	529
59	344	Laboratory Equipment	10.00%			,			ı		,	•	,	ì
30	345	Power Operated Equipment	2.00%	2,243		2,243			•		548	30,461	18,732	11,729
31	346	Communication Equipment	10.00%	8,757	(8,757)				•		1,720	17,200	6,596	10,604
32	347	Miscellaneous Equipment	10.00%		3,975	3,975			,		199	3,975	199	3,776
33	348	Other Tangible Plant	20.00%			•			,		•	•	ı	ı
34			1											
32		TOTAL	i.	17,167	7,882	25,049	-		F	•	44,218	834,791	618,217	216,573
36		· · · · · · · · · · · · · · · · · · ·										L		
37		Depreciable Plant										565,088		
38		Composite Depreciation Rate										7.8250%		
40 ¹ P.	er Staff	¹ Per Staff Depreciation Calculation												

Chino Meadows II Water Co., Inc.
Test Year Ended December 31, 2013
Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

									2013					
	NARUC		Allowed			Adjusted			Adjusted					
Line	Account		Deprec.	Plant	Plant	Plant	Plant	Unbooked	Plant	Salvage	Deprecation	Plant	Accum.	Net
No.	<u>S</u>	<u>Description</u>	Rate	Additions	Adjustments	Additions	Retirements	Retirements	Retirements	A/D Only	(Calculated)	Balance	Deprec.	<u>Plant</u>
н	301	Organization Cost	0.00%			٠			•		*	6,843	6,507	336
7	302	Franchise Cost	0.00%			1			1		1	1	•	,
m	303	Land and Land Rights	0.00%			,			i		,	15,204	,	15,204
4	304	Structures & Improvements	3.33%			•			•		1,476	44,339	35,228	9,111
5	305	Collecting & Impounding Reservoirs	2.50%						,		109	4,350	3,106	1,244
o r	306	Lake, River, Canal Intakes	2.50%		i	, ,			1			. 0	, ,	
۰ ،	90,	Wells & Springs	3.33%		539	539			•		36	/86//7	24,302	3,683
x 0 (80.5	Intiltration Galleries	6.67%			1						, ,		
o ;	309	Raw Water Supply Mains	2.00%			i i			ı		20	1,009	775	235
9	310	Power Generation Equipment	2.00%						,		620	12,401	1,288	11,112
11	311	Pumping Equipment	12.50%			1			•		ı	46,268	46,268	
12	320	Water Treatment Equipment				•			•		•	•		•
13	320	Water Treatment Plants	3.33%			•			•			•		1
14	320	Solution Chemical Feeders	20.00%			•			,		•	6,406	6,406	ı
15	330	Distribution Reservoirs & Standpipes				1			•		,	•	•	
16	330.1	Storage Tanks	2.22%			,			•		473	36,415	34,309	2,106
17	330.2	Pressure Tanks	2.00%			•					366	15,269	15,269	•
18	331	Transmission & Distribution Mains	2.00%			•			,		2,739	304,942	226,643	78,299
19	333	Services	3.33%			ı			•		762	30,067	23,644	6,423
20	334	Meters	8.33%	1,140		1,140			,		7,431	89,777	85,496	4,281
21	335	Hydrants	2.00%			•			•		241	12,042	8,929	3,112
77	336	Backflow Prevention Devices	6.67%			ı			ı		,	1	•	į
23	339	Other Plant & Misc Equipment	6.67%			1			,		1,029	16,728	9,598	7,130
54	340	Office Furniture & Equipment	6.67%			1			•		436	6,534	(1,254)	7,788
52	340.1	Computers & Software	20.00%		189	189			•		2,101	10,601	4,855	5,746
56	341	Transportation Equipment	20.00%			•		40,749	40,749		15,239	55,820	53,490	2,330
77	342	Stores Equipment	4.00%			1					1	•		
28	343	Tools, Shop & Garage Equipment	2.00%						ı		64	1,274	808	466
53	344	Laboratory Equipment	10.00%			•			•			•	ı	,
30	345	Power Operated Equipment	2.00%	1,000	(1,000)	,			1		604	30,461	19,336	11,124
31	346	Communication Equipment	10.00%	59	(23)	•			,		1,720	17,200	8,316	8,884
32	347	Miscellaneous Equipment	10.00%			٠			•		398	3,975	965	3,379
33	348	Other Tangible Plant	20.00%			,			1			٠	1	,
34			ļ											
32		TOTAL	1	2,199	(331)	1,868	-	40,749	40,749	•	36,448	795,909	613,916	181,993
36														
37		Depreciable Plant										473,533		
38		Composite Depreciation Rate										7.6969%		
39														
40 1	er Staff ا	¹ Per Staff Depreciation Calculation												

Schedule RLJ-2 Rebuttal Page 7

Chino Meadows II Water Co., Inc.Test Year Ended December 31, 2013 Computation of Working Capital

Line <u>No.</u>		
1		
2	Operation and Maintenance Expense	\$ 235,542
3	Less depreciation, taxes, purchased	
4	power and purchased water	
5	Factor - 1/8	 0.1250
6		\$ 29,443
7		
8	Purchased Power and Purchased Water	\$ 23,955
9	Factor - 1/24	 0.0417
10		\$ 998
11		
12	Total Cash Working Capital	\$ 30,441
13		-
14		

Chino Meadows II Water Co., Inc.Test Year Ended December 31, 2013 Adjusted Test Year Income Statement

				ctual for est Year		Total		Test Year Results After		Proposed		Adjusted
Line				Ended		Pro forma		Pro forma		Rate		With Rate
No.	_		<u>12</u>	<u>/31/2013</u>		<u>Adjustments</u>		<u>Adjustments</u>		<u>Increase</u>		<u>Increase</u>
1	Reven										,	
2	460	Unmetered Water Revenue	\$		\$		\$	245 241		44.610	\$	200.050
3	461	Metered Water Revenues		339,618		5,623		345,241		44,618		389,859
4	471	Miscellaneous Service Revenue		12,744	_		_	12,744		44.610	<u></u>	12,744
5		Revenues	\$	352,362	\$	5,623	\$	357,985	Þ	44,618	\$	402,603
6		ting Expenses		454.055		(25.552)		120 214			۸.	120 214
7	601	Salaries and Wages	\$	164,965	>	(35,652)	>	129,314			\$	129,314
8	603	Salaries and Wages - Officers and Directors		31,700		(5,113)		26,587				26,587
9	604	Employee Pension and Benefits		-		-		-				- 40
10	610	Purchased Water		40		(405)		40				40
11	615	Purchased Power		24,401		(485)		23,915				23,915
12	618	Chemicals		425		(45)		380				380
13	620	Repairs and Maintenance		8,899		127		9,026				9,026
14	621	Office Supplies Expense		30,594		(17,865)		12,729				12,729
15	631	Contractual Services - Engineering		-		-		-				-
16	632	Contractual Services - Accounting		620		-		620				620
17	633	Contractual Services - Legal		-		-		-				-
18	634	Contractual Services - Management Fees		4 704		-		4.020				4.020
19	635	Contractual Services - Testing		4,791		37		4,828				4,828
20	636	Contractual Services - Other		10,837		(2,554)		8,283				8,283
21	641	Rent - Buildings		-		9,056		9,056				9,056
22	642	Rent - Equipment		-		-		-				-
23	650	Transportation Expense		24,752		(7,252)		17,499				17,499
24	656	Insurance - Vehicle		-		-		-				-
25	657	Insurance - General Liability		8,964		(2,466)		6,497				6,497
26	658	Insurance - Workman's Compensation		-		<u>-</u>		-				-
27	659	Insurance - Other		2,667		(520)		2,146				2,146
28	660	Advertising Expense		-		-		-				-
29	666	Regulatory Commission Expense - Rate Case		-		15,000		15,000				15,000
30	667	Regulatory Expense - Other		445		-		445				445
31	668	Water Resource Conservation Expense		-		-		-				-
32	670	Bad Debt Expense		-		4,833		4,833		602		5,435
33	675	Miscellaneous Expense		10,284		(6,985)		3,298				3,298
34	403	Depreciation Expense		28,644		(9,551)		19,093				19,093
35	408	Taxes Other Than Income		-		11,414		11,414				11,414
36		Property Taxes		18,173		(479)		17,693		735		18,429
37	409	Income Tax		50		7,043		7,093		11,085		18,178
38		Operating Expenses	\$	371,249				329,791		12,422		342,213
39	-	ting Income	\$	(18,887)	\$	47,082	\$	28,195	\$	32,196	\$	60,390
40		Income (Expense)										
41	419	Interest and Dividend Income	\$	-	\$	-	\$	-			\$	-
42	421	Non-Utility Income		684		-		684				684
43	426	Miscellaneous Non-Utility Expenses		(5,000)		-		(5,000)				(5,000)
44	427	Interest Expense		(1,451)		554		(896)				(896)
45		Other Income (Expense)	\$	(5,767)			\$				\$	(5,212)
46	Net In	come (Loss)	\$	(24,653)	\$	47,636	\$	22,983	\$	32,196	\$	55,178
47												

Meadows II Water Co., Inc. ar Ended December 31, 2013 Statement Proforma Adjustments											Schedule RU-3 Rebuttal Page 2
		ADJ	ADJ	ADJ	ADJ	ADJ				Witness:	
	Actual for	IS-1	IS-1A Fliminate	15-2 2014 Salany	15-3 Reclass	IS-4 Reclass		å	Rebuttal Adjustments	ţ	
	יי וכאו	ביוויים ביוויים	רוווווווווווווווווווווווווווווווווווווו	ל הוא ממוא	econo.	Para Para	Heat	35.43	He43	H _c t ₂	H-45
	Ended 12/31/2013	Underbilled	Revenue Adjustments	Increase	Cust. Deposit	Expense	Adj. No. 1	Adj. No. 2	Adj. No. 3	Adj. No. 4	Adj. No. 5
Revenues			•		Interest	•			,		
460 Unmetered Water Revenue	\$										
461 Metered Water Revenues	339,618	3,314	2,688				(379)				
471 Miscellaneous Service Revenue	12,744										
Total Revenues	\$ 352,362	\$ 3,314	\$ 2,688	\$	•	· •	\$ (379)	•	•	· •	v
Operating Expenses											
601 Salaries and Wages	\$ 164,965			\$ 15,000							(\$50,652)
603 Salaries and Wages - Officers and Directors	31,700										(5,113)
604 Employee Pension and Benefits	•										
610 Purchased Water	40										:
	24,401										(485)
618 Chemicals	425										(45)
	8,899										12/
	30,594										(17,865)
631 Contractual Services - Engineering	1										
632 Contractual Services - Accounting	620										
633 Contractual Services - Legal	•										
634 Contractual Services - Management Fees	•										
635 Contractual Services - Testing	4,791							37			
	10,837										(2,554)
641 Rent - Buildings	•										9,056
642 Rent - Equipment	1										
650 Transportation Expense	24,752										(7,252)
656 Insurance - Vehicle	•										
657 Insurance - General Liability	8,964										(2,466)
658 Insurance - Workman's Compensation	•										j
659 Insurance - Other	2,667										(520)
660 Advertising Expense	•								;		
	•								1,667		
	445										
	•										
	•					1,990				2,843	
	10,284				554	(1,990)					(055,5)
403 Depreciation Expense	28,644										
	•										11,414
408 Property Taxes	18,173										
409 Income Tax	20										
Total Operating Expenses	,	\$		\$ 15,000	\$	\$		\$	\$	\$	\$
Operating Income	\$ (18,887)	\$ 3,314	\$ 2,688	\$ (15,000)	\$ (554)	\$	\$ (379)	\$ (37)	\$ (1,667)	\$ (2,843)	
Other Income (Expense)											
419 Interest and Dividend Income	s										
421 Non-Utility Income	684										
426 Miscellaneous Non-Utility Expenses	(2,000)										
427 Interest Expense						- 1				1	
Total Other Income (Expense)					\$ 554			s.	s,	٠,٠	٠,
Net Income (Loss)	\$ (24,653)	\$ 3,314 \$	\$ 2,688	\$ (15,000)	\$		\$ (379)	\$ (37)	\$ (1,667)	\$ (2,843)	\$ /1,906

Part	e Staterr	: Year Ended December 31, 2013 ome Statement Pro forma Adjustments		ADJ	<u>Update</u> ADJ	<u>Updated Rebuttal Adjustments</u> J	<u>ustments</u> ADJ	_		Rebuttal Page 3
Pacce Depreciation Property Taxes Adjustments Registrate				<u>IS-5</u> Rate	<u>IS-6</u> Adjust	<u>IS-7</u> Adjust	IS-8	e e		Test Year
Pacentals Pace	g ı,			Case	Depreciation	Property	Тахе		Total	Adjusted
460 Unimetered Water Revenues 471 Microlimenous Service Revenues 472 Microlimenous Service Revenues 473 Microlimenous Service Revenues 473 Microlimenous Service Revenues 473 Microlimenous Service Revenues 474 Microlimenous Service Revenues 475 Microlimenous Service Revenues 475 Salvine and Water Computer Service Properties 475 Salvine and Water Computer Service Properties 475 Salvine and Water Computer Service Properties 475 Controlimitation Services Fugurement 475 Controlimitation Services Fugurement 475 Controlimitation Services Fugurement 475 Controlimitation Services Fugurement 475 Controlimitation Services Computer Services Properties 477 Commission Services Commission Service			û	pense	Expense	Taxes		Adi	ustments	Results
450 Unitedent All Marker Recenture 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	æ :	renues						•	·	
451 Miscle Where Revenues 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	460	Unmetered Water Revenue						٨		
	461								5,623	345,241
Operating Expenses S (356.52) \$ (13.00) Option State of the control of Expenses S (356.52) \$ (35.62) \$	4/4	7	ļ			J	¥	,	-1	357 985
15 15 15 15 15 15 15 15	ē	or nevertues erating Expenses	٦.		•	.	•	•		
603 Salavires and Wages - Officers and Objectors (5,113) 204 604 Employee Pearson and Benefits (485) 20 615 Purchased Water (485) 20 620 Repairs and Maintenance (485) 20 621 Chemicals (485) 20 622 Contractual Services - Regineering (17,865) 12 623 Contractual Services - Legal (17,865) 12 624 Contractual Services - Legal (17,865) 13 625 Contractual Services - Legal (17,865) 13 626 Contractual Services - Legal (17,865) 13 627 Contractual Services - Contractual Services	_	•						Ś		129,314
Comparison and Benefits Comparison and Maintenance Com										26,587
State Stat										
State Purchased Power (485) 505 State Purchased Power (45) State										40
620 Chemicals Experient Chemicals Commission Chemicals Services - Engineering Chemicals Services - Engineering Chemicals Services - Engineering Chemical Services - Chemical S									(485)	23,915
620 Repairs and Maintenance 47,865 127 621 Ontractual Services - Engineering 621 Ontractual Services - Legal - 622 Contractual Services - Advangement Fees - - 633 Contractual Services - Testing - - 634 Contractual Services - Testing - - 635 Contractual Services - Testing - - 636 Contractual Services - Testing - - 637 Enert - Equipment - - 638 Contractual Services - Testing - - 640 Rent - Equipment - - 650 Insurance - Contractual Services - Testing - - 651 Insurance - Contractual Services - Testing - - 652 Insurance - Contractual Compensation - - 653 Insurance - Contractual Compensation - - 654 Mater Resource Conservation Expense - - 655 Moderal Expense - - - 656 Mater Resource Conservation Expense - - - 657 Moderal Expense - - -									(45)	380
6.21 Office Supplies Expense (17,865) 1.0 6.32 Contractual Services - Legal 6.31 Contractual Services - Legal - 6.33 Contractual Services - Legal - - 6.34 Contractual Services - Legal - - 6.35 Contractual Services - Legal - - 6.36 Contractual Services - Other - - - 6.36 Contractual Services - Other - - - - 6.37 Insurance - Workman's Compensation -	_								127	9,026
631 Contractual Services - Engineering 632 Contractual Services - Fugineering 633 Contractual Services - Connectual 634 Contractual Services - Connectual 635 Contractual Services - Connectual 636 Contractual Services - Connectual 637 Contractual Services - Connectual 638 Contractual Services - Connectual 639 Contractual Services - Connectual 630 Contractual Services - Connectual 631 Contractual 632 Contractual 633 Contractual 633 Contractual 643 Rent Buildings 654 Rent Buildings 655 Insurance - Volerice 656 Insurance - Volerice 656 Advertifign Expense 656 Regulatory Commission Expense - Connectual 650 Insurance - Connectual 650 Insurance - Connectual 650 Advertifign Expense 650 Advertifign Expense 650 Advertifign Expense 651 Regulatory Commission Expense 652 Miscellaneous Expense 653 Insurance - Connectual 654 Connectual 655 Insurance - Connectual 655 Insurance - Connectual 656 Regulatory Commission Expense 657 Advertified Expense 658 Advertified Expense 659 Insurance - Connectual 650 Connectual 650 Connectual 650 Connectual 651 Connectual 652 Connectual 653 Connectual 654 Connectual 655 Connectual 655 Connectual 655 Connectual 655 Connectual 656 Regulatory Commission Expense 657 Advertified Expense 658 Connectual 659 Connectual 650 Connectual 650 Connectual 650 Connectual 650 Connectual 650 Connectual 650 Connectual 651 Connectual 651 Connectual 652 Connectual 653 Connectual 654 Connectual 655 Connectual 655 Connectual 655 Connectual 656 Regulatory Commission Expense 657 Connectual 658 Connectual 659 Connectual 650 Connectual 650 Connectual 650 Connectual 651 Connectual 651 Connectual 652 Connectual 653 Connectual 654 Connectual 655 Connectual 656 Connectual 657 Connectual 657 Connectual 658 Connectual 659 Connectual 650 Connectual 650 Connectual 650 Connectual 651 Connectual 651 Connectual 651 Connectual 652 Connectual 653 Connectual 653 Connectual 654 Connectual 655 Connectual 657 Connectual 657	_								(17,865)	12,729
632 Contractual Services - Accounting 633 Contractual Services - Cherre 634 Contractual Services - Cherre 635 Insurance - Vehicle 635 Insurance - Vehicle 635 Insurance - Cherre 1 (2,266) Contractual Libility 635 Insurance - Cherre 1 (2,266) Contractual Libility 635 Insurance - Cherre 1 (2,266) Contractual Cherre 645 Contractual Libility 645 Regulatory Commission Expense 645 Regulatory Commission Expense 645 Regulatory Cherre 646 Contractual Cherre 647 Cherre 647 Contractual Cherre 647 Contractual Cherre 647 Cher	_								•	
633 Contractual Services - Legal 634 Contractual Services - Legal 635 Contractual Services - Testing 636 Contractual Services - Testing 637 Contractual Services - Careful Contractual Services - Careful Contractual Services - Other 638 Insurance - Vehicle 639 Insurance - Ceneral Liability 630 Insurance - Ceneral Liability 630 Insurance - Ceneral Liability 631 Insurance - Ceneral Liability 632 Insurance - Ceneral Liability 633 Insurance - Ceneral Liability 634 Insurance - Ceneral Liability 635 Insurance - Ceneral Liability 636 Insurance - Ceneral Liability 637 Insurance - Ceneral Liability 638 Insurance - Ceneral Liability 639 Insurance - Ceneral Liability 640 Advertising Expense 650 Advertising Expense 650 Advertising Expense 650 Advertising Expense 651 Maccalleneous Expense 652 Maccalleneous Expense 653 Insurance - Ceneral Liability 654 Insurance - Ceneral Liability 655 Insurance - Ceneral Liability 656 Insurance - Ceneral Liability 657 Insurance - Ceneral Liability 658 Insurance - Ceneral Liability 659 Insurance - Ceneral Liability 650 Insurance - Ceneral Liability 650 Insurance - Ceneral Liability 650 Insurance - Ceneral Liability 651 Insurance - Ceneral Liability 652 Insurance - Ceneral Liability 653 Insurance - Ceneral Liability 654 Insurance - Ceneral Liability 655 Insurance - Ceneral Liability 656 Insurance - Ceneral Liability 657 Insurance - Ceneral Liability 658 Insurance - Ceneral Liability 659 Insurance - Ceneral Liability 650 Insurance - Ceneral Liability 651 Insurance - Ceneral Liability 652 Insurance - Ceneral Liability 652 Insurance - Ceneral Liability 652 Insurance - Ceneral Liability 653 Insurance - Ceneral Liability 654 Insurance - Ceneral Liability 657 Insurance - Ceneral Liability 658 Insurance - Ceneral Liability 659 Insurance - Ceneral Liability 650 Insuran		_								920
634 Contractual Services - Management Fees 635 Contractual Services - Testing 635 Contractual Services - Testing 635 Contractual Services - Other 635 Contractual Services - Other 635 Contractual Services - Other 641 Rent - Buildings 642 Rent - Edulings 643 Rent - Edulings 644 Rent - Buildings 644 Rent - Buildings 655 Insurance - Vehicle 655 Insurance - Vehicle 655 Insurance - Caneral Liability 655 Insurance - Caneral Liability 655 Insurance - Other 656 Insurance - Other 657 Insurance - Other 658 Insurance - Other 659 Insurance - Other 659 Regulatory Expense - Other 659 Regulatory Ex	_	-							,	
635 Contractual Services - Testing 636 Contractual Services - Testing 637 Contractual Services - Cher 638 Recrit - Equipment 639 Transportation Expense 630 Transportation Expense 631 Insurance - Cher 632 Insurance - Cher 633 Insurance - Cher 633 Insurance - Cher 634 Regulatory Commission Expense - Cher 635 Regulatory Commission Expense 640 Advertising Expense - Other 650 Regulatory Commission Expense 651 Regulatory Commission Expense 652 Regulatory Commission Expense 653 Regulatory Commission Expense 654 Regulatory Commission Expense 655 Regulatory Commission Expense 656 Regulatory Commission Expense 657 Regulatory Commission Expense 658 Regulatory Expense 659 Regulatory Expense 650 Regulatory Expense 650 Advertising Expense 650 Advertising Expense 651 Regulatory Expense 652 Regulatory Expense 653 Regulatory Expense 654 Regulatory Expense 655 Regulatory Expense 656 Regulatory Expense 657 Regulatory Expense 658 Regulatory Expense 659 Regulatory Expense 650 Advertising Expense 650 Advertising Expense 650 Regulatory Expense 651 Regulatory Expense 652 Regulatory Expense 653 Regulatory Expense 654 Regulatory Expense 655 Regulatory Expense 655 Regulatory Expense 656 Regulatory Expense 657 Regulatory Expense 658 Regulatory Expense 659 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 651 Regulatory Expense 652 Regulatory Expense 653 Regulatory Expense 654 Regulatory Expense 655 Regulatory Expense 655 Regulatory Expense 656 Regulatory Expense 657 Regulatory Expense 658 Regulatory Expense 659 Regulatory Expense 659 Regulatory Expense 659 Regulatory Expense 650 Regulatory Expense 651 Regulatory Expense 652 Regulatory Expense 653 Regulatory Expense 654 Regulatory Expense 6554 Regulatory Expense 655 Regulatory Expense 6554 Regulatory Expense 659 Regulatory Exp	_								•	
Section Services - Other C.2554 Set Rett - Equipment Services - Other Set									37	4,828
641 Rent- Buildings 642 Rent-Equipment 650 Transportation Expense 655 Insurance - Vehicle 656 Insurance - Vehicle 657 Insurance - Vehicle 658 Insurance - Vehicle 659 Insurance - Vehicle 650 Advertising Expense 650 Advertising Expense 650 Regulatory Commission Expense 650 Regulatory Expense - Other 650 Mixer Resource Conservation Expense 650 Regulatory Expense - Other 650 Mixer Resource Conservation Expense 650 Regulatory Expense - Other 651 Mixer Resource Conservation Expense 652 Mixer Resource Conservation Expense 653 Mixer Resource Conservation Expense 654 Mixer Resource Conservation Expense 655 Regulatory Expense 656 Regulatory Expense 657 Mixer Resource Conservation Expense 658 Mater Resource Conservation Expense 659 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 651 Mixer Reposer 652 Mixer Resource Conservation Expense 653 Mixer Resource Conservation Expense 654 Mixer Resource Conservation Expense 655 Regulatory Expense 656 Regulatory Expense 657 Regulatory Expense 658 Mater Resource Conservation Expense 659 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 651 Regulatory Expense 652 Regulatory Expense 653 Regulatory Expense 654 Regulatory Expense 655 Regulatory Expense 655 Regulatory Expense 656 Regulatory Expense 657 Regulatory Expense 658 Mater Resource Conservation Expense 659 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 651 Regulatory Expense 652 Regulatory Expense 653 Regulatory Expense 654 Restruction Expense 655 Regulatory Expense 655 Regulatory Expense 657 Regulatory Expense 658 Regulatory Expense 659 Regulatory Expense 659 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 651 Regulatory Expense 652 Regulatory Expense 653 Regulatory Expense 654 Regulatory Expense 655 Regulatory Expense 655 Regulatory Expense 657 Regulatory Expense 658 Regulatory Expense 659 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expense 650 Regulatory Expe		-							(2,554)	8,283
642 Rent Equipment 656 Insurance - Vehicle 657 Insurance - Vehicle 658 Insurance - Vehicle 659 Insurance - Vehicle 650 Advertising Expense 660 Advertising Expense 661 Advertising Expense 662 Advertising Expense 663 Advertising Expense 664 Advertising Expense 665 Regulatory Canage Andrea 666 Regulatory Canage Andrea 667 Regulatory Canage Andrea 668 Advertising Expense 669 Advertising Expense 660 Advertising Expense 661 Advertising Expense 660 Advertising Expense 661 Advertising Expense 662 Advertising Expense 663 Advertising Expense 664 Advertising Expense 665 Advertising Expense 666 Advertising Expense 667 Advertising Expense 668 Advertising Expense 669 Advertising Expense 660 Advertising Expe		_							9,056	9,056
650 Transportation Expense (7,254) - <	_	-							· ;	,
656 Insurance - Vehicle 656 Insurance - Vehicle (2,466) 657 Insurance - Coneral Liability (520) 659 Insurance - Other (520) 650 Advertising Expense 13,333 660 Advertising Expense 15,000 667 Regulatory Commission Expense 15,000 667 Regulatory Expense 4,833 670 Bad Debt Expense (6,985) 671 Miscellaneous Expense (6,985) 672 Miscellaneous Expense (6,985) 673 Depreciation Expense (6,985) 674 Miscellaneous Expense (6,985) 675 Miscellaneous Expense (6,985) 676 Property Taxes (479) 408 Property Taxes (479) 409 Income Tax (479) 408 Property Taxes (13,333) 409 Income Expense (479) 409 Income Expense (479) 410 Interest and Dividend Income (479) 420 Interest Expense (479) 421 Interest Expense (479) 422 Interest Expense (479) 423 Interest Expense (479) <		-							(7,252)	17,499
657 Insurance General Liability 13,333 15,000 11,414 11,414 11,414 11,414 11,414 15,000 15,000 15,000 15,000 15,000 15,000									1 1	
GSB Insurance - Workman's Compensation GSB 659 Insurance - Workman's Compensation 13,333 660 Advertising Expense 13,333 660 Regulatory Cemmission Expense 15,000 670 Bad Debt Expense 4,833 670 Bad Debt Expense (6,985) 671 Miscellaneous Expense (6,985) 672 Miscellaneous Expense (6,985) 673 Miscellaneous Expense (6,985) 674 Miscellaneous Expense (6,985) 675 Miscellaneous Expense (6,985) 676 Bad Debt Expense (6,985) 677 Miscellaneous Expense (6,985) 678 Taxas Other Than Income (479) 679 Properating Expenses \$ (13,333) \$ (9,551) 68 Properating Expenses \$ (13,333) \$ (9,551) \$ (7,043) 69 Interest and Dividend Income \$ (13,333) \$ (9,551) \$ (7,043) \$ (7,043) 70 Interest and Dividend Income \$ (13,3		-							(2,466)	6,497
650 Advertising Expense (520) 660 Advertising Expense 13,333 15,000 660 Advertising Expense 13,333 15,000 667 Regulatory Expense - Other 15,000 - 670 Bed Detroperse - Other Than Income 4,833 - 670 Aniscellaneous Expense (9,551) 4,833 - 671 Aniscellaneous Expense (9,551) 4,833 - 672 Miscellaneous Expense (9,551) 4,833 - 673 Miscellaneous Expense (9,551) 4,833 - 674 Departing Expenses (4,79) 7,043 - 675 Miscellaneous Mon-Utility Income 5 13,333 9,551 7,043 - 68 Mater Research Miscellaneous Mon-Utility Expenses 5 13,333 5 5,551 7,043 7,043 69 Miscellaneous Mon-Utility Income 5 13,333 9,551 5 7,043 7,043 70 Miscellaneous Mon-Utility Expense 6 13,333 6,551 7,043 7,043 7,043 71 Interest Expense 7 <td>_</td> <td>_</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>• :</td> <td></td>	_	_							• :	
GEO Advertising Expense 13,333 15,000 GEO Regulatory Commission Expense - Other 13,333 15,000 GEO Regulatory Expense - Other - - GEO Bed Debt Expense 4,833 - GFO Bad Debt Expense (6,985) - GFO Bepreciation Expense (6,985) - GFO Brospecty Taxes (6,985) - 408 Property Taxes (479) (479) - 408 Property Taxes - - - - 409 Income Tax - - - - - 409 Income Tax - - - - - - - 409 Income Tax -		_							(220)	2,146
666 Regulatory Commission Expense - Rate Case 13,333 15,000 667 Regulatory Expense - Other 667 Regulatory Expense - Other - 668 Water Resource Conservation Expense - G70 Bad Debt Expense - G70 Miscellaneous Miscellaneous Non-Utility Expense - G70 Miscellaneous Non-Utility Miscellaneous Non-Utility Miscellaneous Non-Utility Miscellaneous Non-Utility Miscellaneous No	_	-								
667 Regulatory Expense 4,833 668 Water Resource Conservation Expense 4,833 670 Bad Debt Expense (6,985) 671 Miscellaneous Expense (6,985) 672 Miscellaneous Expense (6,985) 673 Miscellaneous Expense (6,985) 408 Taxes Other Than Income (479) 408 Property Taxes (479) 409 Income Tax (479) 409 Income Tax (479) 409 Income Tax (479) 409 Income Tax (479) 409 Factoring Income (479) 409 Factoring Income (479) 419 Factoring Income 420 Interest Expense Factoring Income 421 Interest Expense Factoring Income 422 Interest Expense Factoring Income Factoring Income 423 Interest Expense Factoring Income Factoring Income 424 Interest Expense Factoring I	_			13,333					15,000	15,000
G68 Water Resource Conservation Expense 4,833 670 Bad Debt Expense (6,985) 673 Miscellaneous Expense (6,951) 673 Miscellaneous Expense (9,551) 408 Property Taxes (479) 408 Property Taxes (479) 409 Income Tax (479) 410 Income Tax (479) 410 Income Tax (479) 410 Income Tax (479) 410 Income Tax (479) 41,458) Income Tax 410 Income Tax 42 Interest and Dividend Income 42 Interest Expense 42	-								1	445
670 Bad Debt Expense 4,833 677 Miscellaneous Expense 4,833 675 Miscellaneous Expense (9,551) 403 Depreciation Expense (9,551) 408 Property Taxes (479) 409 Income Tax (479) 409 Income (479) 409 Income (479) 410 Interest and Dividend Income (479) 421 Non-Utility Expense (479) 422 Interest Expense (479) 423 Interest Expense (479) 424 Interest Expense (479) 425 Interest Expense (479) 427 Interest Expense (479) 428 Interest Expense (479) 429 Interest Expense (479) 420 Interest and Dividend Income (479) 420 Interest and Dividend Income (479) 421 Interest Expense (479) 422 Interest and Dividen	_								•	
675 Miscellaneous Expense (9,551) (6,885) 403 Depreciation Expense (9,551) (9,551) 408 Taxes Other Than Income (479) (479) 409 Income Tax (479) 7,043 7,043 409 Income Tax (479) 7,043 7,043 7,043 409 Income Tax (479) 7,043 7,043 7,043 7,043 409 Interest and Dividend Income (479) 7,043 7,043 7,043 7,043 41 Interest and Dividend Income (479) 7,043									4,833	4,833
403 Depreciation Expense (9,551) (9,551) 408 Taxes Other Than Income (479) (479) 408 Property Taxes (479) (479) 408 Property Taxes (479) (479) 409 Income Tax (479) 7,043 7,043 409 Income Expenses (13,333) (9,551) (479) (7,043) (4,1458) (3,53) 410 Increast and Dividend Income 421 Non-Utility Income 421 Non-Utility Expenses 421 Interest Expense 422 Interest Expense 422 Interest Expense 423 Interest Expense 5 - 5 424 Interest Expense 5 - 5 - 5 425 Interest Expense 5 - 5 - 5 427 Interest Expense 5 - 5 - 5 428 Interest Expense 5 - 5 - 5	_								(6,985)	3,298
408 Taxes Other Than Income 11,414 408 Property Taxes (479) (479) 409 Income Tax (479) (479) 409 Income Tax 5 13,333 (9,551) (479) 7,043 (47,043) 409 Income Expense 5 (13,333) 9,551 5 7,043 5 7,043 5 410 Increast and Dividend Income 421 Non-Utility Income 5 - 5 - 5 425 Miscellaneous Non-Utility Expense 426 Miscellaneous Non-Utility Expense - 5 - 5 427 Interest Expense 5 - 5 - 5 - 427 Interest Expense 5 - 5 - 5 - 428 Interest Expense 5 - 5 - 5 - 429 Interest Expense 5 - 5 - 5 - 5					(9,551)				(9,551)	19,093
408 Property Taxes (479) (47,682)									11,414	11,414
409 Income Tax 7,043 7,043 7,043 7,043 7,043 7,043 8 1,458 5 3.3 8 9,551 5 7,043 5 7,043 5 3.3 9,551 5 3.3 9,551 5 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043 7,043	•					(4)			(479)	17,693
Total Operating Expenses \$ 13,333 \$ (9,551) \$ (479) \$ 7,043 \$ (41,458) \$ 33 Operating Income \$ (13,333) \$ 9,551 \$ 479 \$ (7,043) \$ 47,082 \$ Other Income (Expense) \$ (13,333) \$ 9,551 \$ 479 \$ (7,043) \$ 47,082 \$ 419 Interest and Dividend Income \$ 47,082 \$ 421 Non-Utility Expense \$ 422 Interest Expense \$ Total Other Income (Expense) \$ Total Other Income (Expense) \$	•							7,043		7,093
Operating Income \$ (13,333) \$ 9,551 \$ 479 \$ (7,043) \$ 47,082 \$ Other Income (Expense) \$ (13,333) \$ 9,551 \$ 47,082 \$ 419 Interest and Dividend Income \$ - \$ 421 Non-Utility Expenses - \$ 422 Interest Expense - \$ Total Other Income (Expense) 5 - \$ - \$ - \$ Total Other Income (Expense) 5 - \$ - \$ - \$	_	al Operating Expenses	φ.	- 1			\$		- 1	329,791
Other Income (Expense) \$ - \$ 419 Interest and Dividend Income - - \$ 421 Non-Utility Income - - 425 Interest Expense - - 554 7 Total Other Income (Expense) 5 - 5 554	_	erating Income	₩				\$			28,195
419 Interest and Dividend Income 5 - 5 421 Non-Utility Income - - - - 5 426 Miscellaneous Non-Utility Expenses - - 5	_	ner Income (Expense)						•	1	
421 Non-Utility Income - 426 Miscellaneous Non-Utility Expenses - 427 Interest Expense 554 Total Other Income (Expense) \$ - \$ - \$ - \$ 54 \$	•	Interest and Dividend Income						vs	S,	
426 Miscellaneous Non-Utility Expenses - 427 Interest Expense 554 Total Other Income (Expense) \$ - \$ - \$ 554 \$									•	684
427 Interest Expense 554 Total Other Income (Expense) \$ - \$ - \$ - \$ 554 \$									•	(5,000)
Total Other income (Expense) \$ - \$ - \$ 554 \$										(968)
	•	al Other Income (Expense)	s	•	v	•	٠,	,		(5,212)

Test Year Ended December 31, 2013 Income Statement Adjustment IS-1 Schedule RLJ-3 Rebuttal Page 4

Line <u>No.</u>			
1	<u>Correct Underbilled Revenue</u>		
2			
3	For the 5/8" x 3/4" Class, usage between 8,001 gallons and 11,000 gallons		
4	was billed at \$3.20 per 1,000 gallons rather than \$4.20 per 1,000 gallons.		
5			
6	5/8" x 3/4" Class usage between 8,001 gallons and 11,000 gallons	3,314,356	gallons
7	Rate Differential	\$ 1.00	
8	Underbilled Revenue	3,314.36	
9			
10			
11	Increase/(Decrease) in Metered Revenue	\$ 3,314.36	- =
12			
13			

Schedule RLJ-3 Supplemental Page 5

Chino Meadows II Water Co., Inc.

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Test Year Ended December 31, 2013 Income Statement Adjustment IS-1A

Line					
<u>No.</u>					
1	Reverse Improper Revenue Adjustments				
2					
3	In February 2013 eleven accounts were written off and sent to collections.				
4	Rather than booking an adjustment to Accounts Receivable, an adjustmen	t			
5	was improperly booked to the Revenue account.				
6	• • •				
7	In December 2013, 45 accounts had duplicate meter reading entered in th	e			
8	billing system. These duplicate meter reading were adjusted in December	prior			
9	to issuing November bills. The company's billing system vendor caused th	ese			
10	adjustments to be retroactively applied to November bills prior to issueing	the :			
11	November bills. Since the vendor caused the adjustment to be retroactive	ely			
12	applied, revenue reports for both November and December reflected the				
13	adjustments. The December adjustment is a duplicate that should not be				
14	deducted from Revenue.				
15					
16	Incorrect February Revenue Adjustment	\$	(1,271.97)		
17	Duplicate December Revenue Adjustment		(1,416.09)		
18	Total Revenue Adjustments to be Reversed	\$	(2,688.06)		
19		-	• • • • •		
20	Increase/(Decrease) in Metered Revenue			\$ 2,688.0)6
21				 	_
21					

Test Year Ended December 31, 2013 Income Statement Adjustment IS-2 Schedule R∐-3 Rebuttal Page 6

Line			
No.			
1	Adjust for 2014 Salary Increase		
2			
3	Total 2014 increase in employee salary	\$ 20,000.00	
4	Percentage Allocated to Chino Meadows	75%	
5	Salary increase for Granite Mountain	\$ 15,000.00	
6			
7	Increase/(Decrease) in Salaries and Wages		\$ 15,000.00
8			
9			

Test Year Ended December 31, 2013 Income Statement Adjustment IS-3 Schedule RLJ-3 Rebuttal Page 7

Line <u>No.</u> 1	Reclass Customer Deposit Interest	
2		
3		
4	Customer Deposit Interest Charged to Interest Expense	554.43
5		
6	Increase/(Decrease) in Interest Expense	\$ (554.43)
7		
8	Increase/(Decrease) in Miscellaneous Expense	\$ 554.43
9	•	

Test Year Ended December 31, 2013 Income Statement Adjustment IS-4 Schedule RLJ-3 Rebuttal Page 8

Line <u>No.</u> 1	Reclass Bad Debt Expense		
2			
3			
4	Customer Bad Debt Charged to Miscellaneous Expense	1989.9	
5			
6	Increase/(Decrease) in Miscellaneous Expense	-	\$ (1,989.90)
7		-	
8	Increase/(Decrease) in Bad Debt Expense	-	\$ 1,989.90
9		2	

Test Year Ended December 31, 2013 Income Statement Adjustment IS-5

Schedule RLJ-3 Rebuttal Page 9

Adjust Rate Case Expense

Line		
No.		
1	Estimated Rate Case Expense	\$ 40,000
2		
3	Amortization Period (Years)	3
4		
5	Annualized Rate Case Expense	\$ 13,333
6		
7	Test Year Rate Case Expense	-
8		
9	Increase / (Decrease) in Rate Case Expense	13,333
10		

Test Year Ended December 31, 2013 Income Statement Adjustment IS-6

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

		Adjusted Test Year	Fully		Proposed	
Line		Balance	Depreciated	Depreciable	Depreciation	Depreciation
No.	Acct Description	<u>12/31/2013</u>	<u>Plant</u>	<u>Plant</u>	Rate	<u>Expense</u>
1						
2	301 Organization Cost	\$ 6,8	43	\$ 6,843	0.00%	\$ -
3	302 Franchise Cost		•	-	0.00%	-
4	303 Land and Land Rights	15,2		15,204	0.00%	-
5	304 Structures & Improvements	44,3	39	44,339	3.33%	1,476
6	305 Collecting & Impounding Reservoirs	4,3	50	4,350	2.50%	109
7	306 Lake, River, Canal Intakes		-	-	2.50%	-
8	307 Wells & Springs	27,9	87 (9,096)	18,891	3.33%	629
9	308 Infiltration Galleries		*	-	6.67%	-
10	309 Raw Water Supply Mains	1,0	09	1,009	2.00%	20
11	310 Power Generation Equipment	12,4	01	12,401	5.00%	620
12	311 Pumping Equipment	46,2	68 (46,268)	-	12.50%	-
13	320 Water Treatment Equipment		-	-	3.33%	-
14	320.1 Water Treatment Plants		-	-	3.33%	-
15	320.2 Solution Chemical Feeders	6,4	06 (6,406)) 0	20.00%	0
16	330 Distribution Reservoirs & Standpipes		-	-	2.22%	-
17	330.1 Storage Tanks	36,4	15 (15,120)	21,295	2.22%	473
18	330.2 Pressure Tanks	15,2	69 (15,269)	-	5.00%	-
19	331 Transmission & Distribution Mains	304,9	42 (167,988)	136,954	2.00%	2,739
20	333 Services	30,0	67 (7,181)	22,886	3.33%	762
21	334 Meters	89,7	77	89,777	8.33%	7,478
22	335 Hydrants	12,0	42	12,042	2.00%	241
23	336 Backflow Prevention Devices		-	-	6.67%	-
24	339 Other Plant & Misc Equipment	16,7	28 (1,305)	15,423	6.67%	1,029
25	340 Office Furniture & Equipment	6,5	, , ,	6,534	6.67%	436
26	340.1 Computers & Software	10,6		10,601	20.00%	2,120
27	341 Transportation Equipment	55,8			20.00%	-,
28	342 Stores Equipment	,-	-	<u>-</u>	4.00%	-
29	343 Tools, Shop & Garage Equipment	1,2	74	1,274	5.00%	64
30	344 Laboratory Equipment	_,_	-	-,	10.00%	-
31	345 Power Operated Equipment	30,4	61 (18,377)	12,084	5.00%	604
32	346 Communication Equipment	17,2		17,200	10.00%	1,720
33	347 Miscellaneous Equipment	3,9		3,975	10.00%	398
34	348 Other Tangible Plant	5,5		3,373	20.00%	-
35	TOTALS	\$ 795,9	09 \$ (342,829)	\$ 453,080	_	\$ 20,918
36		V 733,3	05 \$ (5-2,025)	455,000		20,310
37	Less: Amortization of CIAC	\$ 37,6	ΩR		4.8529%	\$ 1,825
38	LESS. FINISHERATOR OF CIRC	φ 57,0	00		4.032370	\$ 1,825
39	Adjusted Test Year Depreciation Expense				-	\$ 19,093
40	Augusta reacted popiedation Expense					J 15,053
41	Test Year Depreciation Expense					\$ 28,644
42	rest real depreciation expense					\$ 28,644
43	Increase / (Decrease) in Depreciation Expense				-	\$ (9,551)

Test Year Ended December 31, 2013 Income Statement Adjustment IS-7

Adjust Property Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line			Company		Company	
<u>No.</u>	Description	:	As Adjusted		Proposed	
1	Adjusted Test Year Revenue	\$	357,985	\$	357,985	
2	Adjusted Test Year Revenue	•	357,985	·	357,985	
3	Adjusted Test Year Revenue		357,985		,	
4	Proposed Revenues after Increase		•		402,603	
5	Average of three year's of revenue		357,985		372,858	
6	Average of three year's of revenue, times 2		715,971		745,716	
7	Add:		. 20,01			
8	Construction Work In Progress at 10%		-		-	
9	Deduct:					
10	Net Book Value of Transportation Equipmen	nt	-		-	
11	, , , , , , , , , , , , , , , , , , ,					
12	Full Cash Value		715,971		745,716	
.3	Assessment Ratio		18.5%		18.5%	
L 4	Assessed Value		132,455		137,957	
15	Property Tax Rate (2012 Tax Year)		13.3582%		13.3582%	
16						
7	Adjusted Test Year Property Tax	\$	17,693			
8	Recorded Test Year Property Tax		18,173			
9	Test Year Adjustment	\$	(479)			
20	•					
1	Property Tax at Proposed Rates			\$	18,429	
2	Adjusted Test Year Property Tax				17,693	
23	Increase in Property Tax due to Rate Increas	se		<u> </u>	735	
24				_		
25	Calculation of Property Tax Factor					
6	Increase to Property Tax Expense			\$	735	
7	Increase in Revenue Requirement			\$		
28	Property Tax Factor (L25 / L26)				1.6475%	
29	. , , , , , , , , , , , , , , , , , , ,					
30			2013			
31	CALCULATION OF TAX RATE		<u>Value</u>	<u>Ratio</u>	Tax Value	<u>Tax</u>
32	9	47-25-131	583,000	19.5%	113,685	15,18

Test Year Ended December 31, 2013 Income Statement Adjustment IS-8

48

Adjust Income Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No <u>.</u>	Description				djusted est Year	roposed h Increase
1						
2	Calculation of Income Tax:					
3	Revenue			\$	357,985	\$ 402,603
4	Less: Operating Expenses (Excluding Income Taxes)				322,698	324,035
5	Less: Synchronized Interest					
6	Arizona Taxable Income			\$	35,288	\$ 78,568
7						
8	All Income at 6.0000%			\$	2,117	\$ 4,714
9						
10						
11						
12						
13	Arizona Income Tax			\$	2,117	\$ 4,714
14	Federal Taxable Income			\$	33,170	\$ 73,854
15						
16	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%			\$	4,976	\$ 7,500
17	Federal Tax on Second Income Bracket (\$50,001 - 75,000) @ 25%			\$	-	5,963
18	Federal Tax on Third Income Bracket (\$75,001 - 100,000) @ 34%			\$	-	-
19	Federal Tax on Fourth Income Bracket (\$100,001 - 335,000) @ 39%			\$	-	-
20	Federal Tax on Fifth Income Bracket (\$335,001 - 10,000,000) @ 34%			\$	-	-
21	Federal Tax on Sixth Income Bracket (\$10,000,001 - 15,000,000) @ 35%	6		\$	-	-
22	Federal Tax on Seventh Income Bracket (\$15,000,001 - 18,333,333) @	38%		\$	-	-
23	Federal Tax on Eighth Income Bracket (\$18,333,334) @ 35%			\$	-	-
24						
25	Total Federal Income Tax			\$	4,976	\$ 13,463
26						
27	Combined Federal and State Income Tax			\$	7,093	\$ 18,178
28						
29	Effective State Tax Rate				6.0000%	6.0000%
30	Effective Federal Tax Rate				15.0000%	18.2299%
31	Effective Combined Tax Rate				20.1000%	23.1361%
32						
33	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue	Increase)				6.0000%
34	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increa	ise)				20.8633%
35						
36	Calculation of Interest Synchronization					
37	Rate Base	\$	168,668			
38	Weighted Average Cost of Debt		0.000%			
39	Synchronized Interest	\$	-	•		
40						
41	Income Tax Adjustments					
42	Test Year Income Taxes - Booked			\$	50	
43	Increase / (decrease) in Income Taxes (L21 - L32)				7,043	
44	· · · · · · · · · · · · · · · · · · ·				- Riv	
45	Test Year Income Taxes - Adjusted					\$ 7,093
46	Increase / (decrease) in Federal Income Taxes (L21 - L35)					 11,085
47						

Schedule RLJ-3

Chino Meadows II Water Co., Inc.

Test Year Ended December 31, 2013

Computation of Gross Revenue Conversion Factor

Rebuttal Page 13

Line				
No.	Calculation of Gross Revenue Conversion Factor			
1	Revenue		100.0000%	
2	Uncollectable Factor (Line 11)		1.0043%	
3	Revenue (L1 - L2)		98.9957%	
4	Combined Income Tax and Property Tax Rate (Line	23)	26.8371%	
5	Operating Income Percentage (L3 -L4)	•	72.1587%	
6	Gross Revenue Conversion Factor (L1 / L5)		1.385835	
	Calculation of Uncollectable Factor			
7	Unity		100.0000%	
8	Combined Federal and State Tax Rate (Line 17)		25.6115%	
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	74.3885%	
10	Uncollectable Rate (Line 26)		1.3500%	
11	Uncollectable Factor (L9 * L10)		1.0043%	
	Calculation of Effective Tax Rate			
12			100 0000%	
12	Operating Income Before Taxes	2 21	100.0000%	
13	Applicable Arizona State Tax Rate (from Schedule C	J-2)	6.0000%	
14	Federal Taxable Income (L12 - L13)		94.0000%	
15	Applicable Federal Tax Rate (from Schedule C-2)		20.8633%	
16	Effective Federal Tax Rate (L14 * L15)		19.6115%	
17	Combined Federal and State Tax Rate (L13 + L16)			25.6115%
	Calculation of Effective Property Tax Rate	•		
18	Unity		100.0000%	
19	Combined Federal and State Tax Rate (Line 17)		25.6115%	
20	One Minus Combined Income Tax Rate (L18 - L19)		74.3885%	
21	Property Tax Factor (from Schedule C-2)		1.6475%	
22	Effective Property Tax Factor (L20 * L21)			1.2256%
23	Combined Federal and State Income Tax Rate and	Property Tax Rate (L17 + L22)	_	26.8371%
	Calculation of Uncollectable Rate			
24		4 933		
25	• • •	4,833		
	Total Revenues (from Schedule C-1)	357,985		
26	Uncollectable Rate (L24 / L25)	1.3500%		
27	Revenue Increase (from Schedule C-1) \$	44,618		
28	Uncollectable Rate (Line 26)	1.3500%		
29	Bad Debt Expense due to Increase \$	602		
20	Companying Calcadolas		•	C-b I-I-
30 21	Supporting Schedules:			ap Schedules:
31			A-1	

Line

30 31

39 40

41

42

Test Year Ended December 31, 2013 Changes in Representative Rate Schedules

<u>No.</u> 1	General Water Service Rates		Present	Proposed			Bas	e Charge				\	/olun	ne Charg	e	
2			Rate Tiers	Rate Tiers	F	resent		oposed		<u> </u>	F	resent	Pro	posed		N
3	Description	-	(gallons)	(gallons)		Rate		Rate		hange	_	Rate		Rate		hange
4							_			4.05				2.05		0.45
5	R1 - 5/8" x 3/4" Meter	Tier 1	3,000	3,000	\$	17.75	\$	19.00	>	1.25	\$		\$	2.85	\$	0.45
6		Tier 2	8,000	8,000							\$	3.20	\$	3.85	\$	0.65
7		Tier 3	999,999,000	999,999,000	_					4.07	>	4.20	\$	5.10	\$	0.90
8	R2 - 3/4" Meter	Tier 1	3,000	3,000	\$	26.63	\$	28.50	Ş	1.87	\$	2.40	\$	2.85	\$	0.45
9		Tier 2	8,000	8,000							\$	3.20	\$	3.85	\$	0.65
10		Tier 3	999,999,000	999,999,000							\$	4.20	\$	5.10	\$	0.90
11	R3 - 1" Meter	Tier 1	3,000	-	\$	44.38	\$	47.50	\$	3.12	\$	2.40				
12		Tier 2	8,000	15,000							\$	3.20	•	3.85	•	0.65
13		Tier 3	999,999,000	999,999,000							\$	4.20	\$	5.10	\$	0.90
14	R4 - 1.5" Meter	Tier 1	3,000	-	\$	88.75	\$	95.00	\$	6.25	\$	2.40				
15		Tier 2	8,000	30,000							\$	3.20	\$	3.85	\$	0.65
16		Tier 3	999,999,000	999,999,000							\$	4.20	\$	5.10	\$	0.90
17	R5 - 2" Meter	Tier 1	3,000	-	\$	142.00	\$	152.00	\$	10.00	\$	2.40				
18		Tier 2	8,000	50,000							\$	3.20	\$	3.85	\$	0.65
19		Tier 3	999,999,000	999,999,000							\$	4.20	\$	5.10	\$	0.90
20	R6 - 3" Meter	Tier 1	3,000	-	\$	266.25	\$	304.00	\$	37.75	\$	2.40				
21		Tier 2	8,000	100,000							\$	3.20	\$	3.85	\$	0.65
22		Tier 3	999,999,000	999,999,000							\$	4.20	\$	5.10	\$	0.90
23	R7 - 4" Meter	Tier 1	3,000	-	\$	443.75	\$	475.00	\$	31.25	\$	2.40				
24		Tier 2	8,000	150,000							\$	3.20	\$	3.85	\$	0.65
25		Tier 3	999,999,000	999,999,000							\$	4.20	\$	5.10	\$	0.90
26	R8 - 6" Meter	Tier 1	3,000	-	\$	887.50	\$	950.00	\$	62.50	\$	2.40				
27		Tier 2	8,000	300,000	•						\$	3.20	\$	3.85	\$	0.65
28		Tier 3	999,999,000	999,999,000							\$	4.20	\$	5.10	\$	0.90
29	Hydrant Meter	Tier 3	999,999,000	999,999,000		n/t	Ву	Meter Si	ze		•	n/t	\$	5.10		n/a

Monthly Service Charge for Fire Sprinkler

	Present	Proposed
	<u>Rates</u>	<u>Rates</u>
4" or Smaller	***	n/t
6"	***	n/t
8"	***	n/t
10"	***	n/t

*** 2.00 percent of Monthly Usage Charge for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Schedule RLJ-4 Rebuttal Page 2

Chino Meadows II Water Co., Inc.

Test Year Ended December 31, 2013 Changes in Representative Rate Schedules

No.			
1	Other Service Charges	Present	Proposed
2		Rates	Rates
3	Establishment	\$ 25.00	\$ 25.00
4	Reconnection (Delinquent)	\$ 30.00	\$ 30.00
5	After Hours Charge (flat rate)	\$ 25.00	\$ 25.00
6	Meter Test (If correct)	\$ 20.00	\$ 25.00
	Deposit Requirement (Residential)	2 times the	2 times the Per A.C.C. R14-2-403.B.
7		average bill	average bill
8	Deposit Interest	6% per year	6% per year Per A.C.C. R14-2-403.B.
		Number of Months off	Number of Months off system
	Re-Establishment (Within 12 Months)	system times the monthly	times the monthly minimum Per A.A.C. R14-2-403.D
9		minimum charge	charge
10	NSF Check	\$ 20.00	\$ 20.00
11	Deferred Payment, Per Month	1.5%	1.5%
12	Meter Re-Read (If correct)	\$ 15.00	\$ 15.00
13	Moving Customer Meter at Customer Request		
14	Late Charge per month	1.5%	1.5%
1 5			

15 16

Line

In addition to the collection of regular rates, the utility will collect from its

17 customers a proportionate share of any privilege, sales, use, and franchise tax,

per Commission rule A.A.C. 14-2-409(D)(5).

18 19 20

21

All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

n/t - no tariff

22 23

24	Service Line and Meter Installation Charges	Present Rates								Proposed Rates						
25		<u>Sr</u>	v. Line	1	<u> Meter</u>		<u>Total</u>	<u>Sr</u>	<u>v. Line</u>	1	<u> Meter</u>		<u>Total</u>			
26	5/8" x 3/4" Meter	\$	406	\$	95	\$	501	\$	450	\$	150	\$	600			
27	3/4" Meter	\$	413	\$	162	\$	575	\$	450	\$	250	\$	700			
28	1" Meter	\$	441	\$	209	\$	650	\$	575	\$	300	\$	875			
29	1 1/2" Meter	\$	395	\$	321	\$	716	\$	675	\$	500	\$	1,175			
30	2" Meter	\$	727	\$	845	\$	1,572	\$	1,000	\$	1,500	\$	2,500			
31	3" Meter	\$	952	\$	1,448	\$	2,400	\$	1,300	\$	2,000	\$	3,300			
32	4" Meter	\$	1,310	\$	2,206	\$	3,516	\$	1,800	\$	3,500	\$	5,300			
33	6" Meter	\$	2,160	\$	4,756	\$	6,916	\$	2,800	\$	6,000	\$	8,800			

34 35

All advances and/or contributions are to include labor, materials and parts, overheads and all applicable taxes, including gross-up taxes for Federal and State taxes, if applicable.

36 37

All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

38 39 40

n/t - no tariff

41

Chino Meadows II Water Co., Inc. Test Year Ended December 31, 2013

Analysis of Revenue by Detailed Class

		Average		Reve	nues		Proposed				
Line		Number	Average		Present	P	roposed	- II	ncrease	Increase	
No.	<u>Description</u>	<u>Customers</u>	Consumption		Rates		<u>Rates</u>	<u> </u>	<u>Amount</u>	<u>%</u>	
1											
2	Unmetered Water Revenue										
3	Fire Service	-		\$	-	\$	-	\$	-		
4											
5	Metered Water Revenue										
6	R1 - 5/8" x 3/4" Meter	895	4,931	\$	346,110	\$	390,444	\$	44,334	12.81%	
7	R2 - 3/4" Meter	-	-		-		-		-		
8	R3 - 1" Meter	-	-		_		-		-		
9	R4 - 1.5" Meter	-	-		-		-		-		
10	R5 - 2" Meter	-	-		-		-		-		
11	R6 - 3" Meter	-	-		-				-		
12	R7 - 4" Meter	-	-		-		-		-		
13	R8 - 6" Meter	-	-		-		-		-		
14	Hydrant Meter										
15	·										
16	Totals:										
17	Unmetered Water Revenue										
18	Fire Service	-		\$	-	\$	-	\$	-		
19											
20	Metered Water Revenue										
21	All Customers	895	59,192		346,110		390,444		44,334	12.81%	
22											
23	Other Water Revenue			\$	12,744	Ś	12,744		_	0.00%	
24				_	,	_	, ,			2.2075	
25	Total	895		\$	358,854	\$	403,188	\$	44,334	12.35%	
26					,						

Supplemental Schedule Breakdown of Metered Water Revenue at Current Rates By Rate Components

		 	Rev	Rates					
Line		Base		1st	2nd		3rd		Total
<u>No.</u>	<u>Description</u>	<u>Charge</u>		<u>Tier</u>	<u>Tier</u>		<u>Tier</u>	ļ	Revenue
1									
2	R1 - 5/8" x 3/4" Meter	\$ 190,706	\$	64,900	\$ 58,952	\$	31,551	\$	346,110
3	R2 - 3/4" Meter	-		-	-		-		-
4	R3 - 1" Meter	-		-	-		-		-
5	R4 - 1.5" Meter	-		-	-		-		-
6	R5 - 2" Meter	-		-	-		-		-
7	R6 - 3" Meter	-		-	-		-		-
8	R7 - 4" Meter								
9	R8 - 6" Meter	-		-	-		-		-
10	R9 - 8" Meter	-		-	-		-		-
11	Hydrant Meter								-
12									
13	Total Revenue	\$ 190,706	\$	64,900	\$ 58,952	\$	31,551	\$	346,110
14									
15	Percentage of Total	55.10%		18.75%	17.03%		9.12%		100.00%
16									

Supplemental Schedule Breakdown of Metered Water Revenue at Proposed Rates By Rate Components

		Revenue at Proposed Rates								
Line		 Base		1st		2nd		3rd		Total
No.	<u>Description</u>	<u>Charge</u>		<u>Tier</u>		<u>Tier</u>		<u>Tier</u>	<u> </u>	<u>Revenue</u>
1										
2	R1 - 5/8" x 3/4" Meter	\$ 204,136	\$	77,069	\$	70,927	\$	38,312	\$	390,444
3	R2 - 3/4" Meter	-		-		-		-		-
4	R3 - 1" Meter	-		-		-		-		-
5	R4 - 1.5" Meter	-		-		-		-		-
6	R5 - 2" Meter	-		-		-		-		-
7	R6 - 3" Meter	-		-		-		-		-
8	R7 - 4" Meter									
9	R8 - 6" Meter	-		-		-		-		_
10	R9 - 8" Meter	-		-		-		-		-
11	Hydrant Meter									-
12										-
13	Total Revenue	\$ 204,136	\$	77,069	\$	70,927	\$	38,312	\$	390,444
14										
15	Percentage of Total Revenue	52.28%		19.74%		18.17%		9.81%		100.00%
16										
17	Percentage Increase by Tier	7.04%		18.75%		20.31%		21.43%		12.81%
18										

Chino Meadows II Water Co., Inc. Test Year Ended December 31, 2013 Analysis of Revenue by Detailed Class

Supplemental Schedule Metered Water Revenue at Proposed Rates Analysis of Increases by Rate Tier

Line		Base 1st			2nd			3rd	Total	
<u>No.</u>		Charge		Tier		Tier		Tier		Revenue
1	Revenue at Current Rates	\$ 190,706	\$	64,900	\$	58,952	\$	31,551	\$	346,110
2	Revenue at Company's Proposed Rates	204,136		77,069		70,927		38,312		390,444
3	Increase in Rates	\$ 13,430	\$	12,169	\$	11,975	\$	6,761	\$	44,334
4										
5	Percentage Increase by Tier	7.0%		18.8%		20.3%		21.4%		12.8%
6	Percentage of Increase within Tier	30.3%		27.4%		27.0%		15.2%		100.0%
7										
8										
9										
10		Base		1st		2nd		3rd		Total
11		Charge		Tier		Tier		Tier		Revenue
12	Revenue at Current Rates	\$ 190,706	\$	64,900	\$	58,952	\$	31,551	\$	346,110
13	Revenue at Company's Proposed Rates	\$ 204,136	\$	77,069	\$	70,927	\$	38,312	\$	390,444
14										
15	Percentage of Total Revenue									
16	Current Rates	55.1%		18.8%		17.0% #	!	9.1%		100.0%
17	Company's Proposed Rates	<u>52.3%</u>		<u>19.7%</u>		<u> 18.2%</u> #	:	<u>9.8%</u>		100.0%
18	Change	-2.8%		1.0%		1.1%		0.7%		0.0%
19										
20										

Test Year Ended December 31, 2013 Bill Count

Meter Size: Rate Code:

41

42

43

44

Median Consumption (gallons)

5/8" x 3/4"

R1

Present	Proposed
Rates	Rates
3	3
8	8
999,999	999,999
	Rates 3

	Present	Proposed				
Charges	 Rates	_	Rates			
Base Charge:	\$ 17.75	\$	19.00			
Tier One Rate:	\$ 2.40	\$	2.85			
Tier Two Rate:	\$ 3.20	\$	3.85			
Tier Three Rate:	\$ 4.20	\$	5.10			

	1101	Timee break	tore, (ivi gai).	333,333	333,333		ner mice nate.	4.20	ŷ 5.10		
			Number	Average							
Line			of Bills in	Consumption	Consumption	<u>Cumula</u>	tive Bills	Cumulative C	onsumption		
<u>No.</u>	Blog	<u>k</u>	Block	in Block 50%	<u>in Block</u>	<u>No.</u>	% of Total	<u>Amount</u>	<u>% of Total</u>		
1		-	248			248	2.31%	-	0.00%		
2	1 -	1,000	733	507	371,645	981	9.13%	371,645	0.70%		
3	1,001 -	2,000	1,249	1,518	1,896,321	2,230	20.76%	2,267,966	4.28%		
4	2,001 -	3,000	1,565	2,509	3,926,836	3,795	35.32%	6,194,802	11.69%		
5	3,001 -	4,000	1,610	3,489	5,617,828	5,405	50.31%	11,812,630	22.30%		
6	4,001 -	5,000	1,376	4,481	6,166,015	6,781	63.11%	17,978,645	33.94%		
7	5,001 -	6,000	1,114	5,480	6,104,714	7,895	73.48%	24,083,359	45.46%		
8	6,001 -	7,000	735	6,463	4,750,190	8,630	80.32%	28,833,549	54.43%		
9	7,001 -	8,000	536	7,475	4,006,731	9,166	85.31%	32,840,280	61.99%		
10	8,001 -	9,000	381	8,510	3,242,395	9,547	88.86%	36,082,675	68.11%		
11	9,001 -	10,000	271	9,491	2,572,010	9,818	91.38%	38,654,685	72.97%		
12	10,001 -	12,000	355	10,924	3,877,865	10,173	94.69%	42,532,550	80.29%		
13	12,001 -	14,000	177	12,883	2,280,340	10,350	96.33%	44,812,890	84.59%		
14	14,001 -	16,000	117	14,876	1,740,480	10,467	97.42%	46,553,370	87.88%		
15	16,001 -	18,000	94	16,972	1,595,330	10,561	98.30%	48,148,700	90.89%		
16	18,001 -	20,000	52	18,926	984,160	10,613	98.78%	49,132,860	92.74%		
17	20,001 -	25,000	70	22,087	1,546,090	10,683	99.43%	50,678,950	95.66%		
18	25,001 -	30,000	28	27,000	756,010	10,711	99.69%	51,434,960	97.09%		
19	30,001 -	35,000	12	31,955	383,460	10,723	99.80%	51,818,420	97.81%		
20	35,001 -	40,000	9	38,432	345,890	10,732	99.89%	52,164,310	98.47%		
21	40,001 -	50,000	6	42,990	257,940	10,738	99.94%	52,422,250	98.95%		
22	50,001 -	60,000	3	52,430	157,290	10,741	99.97%	52,579,540	99.25%		
23	60,001 -	70,000	1	67,740	67,740	10,742	99.98%	52,647,280	99.38%		
24	70,001 -	80,000	-		-	10,742	99.98%	52,647,280	99.38%		
25	80,001 -	90,000	-		-	10,742	99.98%	52,647,280	99.38%		
26	90,001 -	100,000	1	97,550	97,550	10,743	99.99%	52,744,830	99.56%		
27	231,670 -	231,670	1	231,670	231,670	10,744	100.00%	52,976,500	100.00%		
28						10,744	100.00%	52,976,500	100.00%		
29						10,744	100.00%	52,976,500	100.00%		
30						10,744	100.00%	52,976,500	100.00%		
31											
32	Totals		10,744		52,976,500	10,744	-	52,976,500			
33							_				
34		Total Bills	10,744				Current	Rates	Propose	ed Rates	i
35		•					Units	Revenue	Units	Rev	venue
36						Base Charge	10,744	\$ 190,706	10,744	s	204,136
37	Average Num	ber of Custo	mers	895			,		,-	•	
38	J		,		•	Usage (gallons)					
39	Average Cons	umption (ga	llons)	4,931		Tier One	27,041,802	\$ 64,900	27,041,802	\$	77,069
40	<u> </u>		•		•	Tier Two		58,952	18,422,478	-	70,927

Tier Three

Usage Totals

Revenue Totals

7,512,220

52,976,500

7,512,220

52,976,500

31,551

346,110

38,312

390,444

3,469

Test Year Ended December 31, 2013 Typical Bill Analysis

5/8" x 3/4" Meter Size:

Rate Code: R1

Line					Present	Proposed	Dollar	Percent
<u>No.</u>	Rate Schedules		<u>Usage</u>		Bill	Bill	Increase	Increase
1	Present Rates:		-	\$	17.75	\$ 19.00	\$ 1.25	7.04%
2	Base Charge:	\$ 17.75	1,000	\$	20.15	\$ 21.85	\$ 1.70	8.44%
3			2,000	\$	22.55	\$ 24.70	\$ 2.15	9.53%
4			3,000	\$		\$ 27.55	2.60	10.42%
5	Tier One Rate:	\$ 2.40	4,000	\$	28.15	\$ 31.40	\$ 3.25	11.55%
6	Tier Two Rate:	\$ 3.20	5,000	\$	31.35	\$ 35.25	\$ 3.90	12.44%
7	Tier Three Rate:	\$ 4.20	6,000	\$	34.55	\$ 39.10	\$ 4.55	13.17%
8			7,000	\$	37.75	\$ 42.95	\$ 5.20	13.77%
9	Tier One Breakover (M gal):	3	8,000	\$	40.95	\$ 46.80	\$ 5.85	14.29%
10	Tier Two Breakover (M gal):	8	9,000	\$	45.15	\$ 51.90	\$ 6.75	14.95%
11	Tier Three Breakover (M gal):	999,999	10,000	\$	49.35	\$ 57.00	\$ 7.65	15.50%
12			12,000	\$	57.75	\$ 67.20	\$ 9.45	16.36%
13			14,000	\$	66.15	\$ 77.40	\$ 11.25	17.01%
14	Proposed Rates:		16,000	\$	74.55	\$ 87.60	\$ 13.05	17.51%
15	Base Charge:	\$ 19.00	18,000	\$	82.95	\$ 97.80	\$ 14.85	17.90%
16			20,000		91.35	\$ 108.00	\$ 16.65	18.23%
17			25,000	\$	112.35	\$ 133.50	\$ 21.15	18.83%
18	Tier One Rate:	\$ 2.85	30,000	\$	133.35	\$ 159.00	\$ 25.65	19.24%
19	Tier Two Rate:	\$ 3.85	35,000	\$	154.35	\$ 184.50	\$ 30.15	19.53%
20	Tier Three Rate:	\$ 5.10	40,000	\$	175.35	\$ 210.00	\$ 34.65	19.76%
21			45,000	\$	196.35	\$ 235.50	\$ 39.15	19.94%
22	Tier One Breakover (M gal):	3	50,000	\$	217.35	\$ 261.00	\$ 43.65	20.08%
23	Tier Two Breakover (M gal):	8	60,000	\$	259.35	\$ 312.00	\$ 52.65	20.30%
24	Tier Three Breakover (M gal):	999,999	70,000	\$	301.35	\$ 363.00	\$ 61.65	20.46%
25			80,000	\$	343.35	\$ 414.00	\$ 70.65	20.58%
26			90,000	\$	385.35	\$ 465.00	\$ 79.65	20.67%
27			100,000	\$	427.35	\$ 516.00	\$ 88.65	20.74%
28								
29			Average Usage	9				
30			4,931	\$	31.13	\$ 34.98	\$ 3.85	12.37%
31			Median Usage	9				
32			3,469	\$	26.45	\$ 29.36	\$ 2.91	11.00%
33								
34								

Chino Meadows II Water Company, Inc. Docket No. W-02370A-14-0231 Rebuttal Testimony of Ray L. Jones

Exhibit RLJ-RB3 Updated Staff Schedules Used as Company Workpaper

OPERATING INCOME ADJUSTMENT ND. 5 - ALLOCATIONS

				¥	<u>a</u>	<u>D</u>							
LINE	is ²			COMPANY	STAFF	STAFF							
NO.	DESCRIPTION			AS FILED	ADJUSTMENTS	AS ADJUSTED							
-	Salaries and Wages			\$179,965	(\$50,652)	\$129,313							
7	Salaries and Wages - Officers			31,700	(5,113)	26,587							
3	Purchased Power			24,401	(485)								
+	Chemicals			425	(45)								
٠,	Repairs and Maintenance			8,899	127								
9	Office Supplies & Expense			30,594	(17,865)	12,729							
7	Rents			0	9,056	950'6							
∞	Contractual Services			11,457	(2,554)								
6	Transportation Expenses			24,752	(7,252)	17,500							
10	Insurance - General Liability			8,964	(2,466)								
11	Insutance - Health and Life			2,667	(520)	2,147							
12	Miscellaneous Expenses			8,848	(5,550)	3,298							
13	Payroll Taxes			0	11,414	11,414							
#	Total			\$332,672	(\$71,906)	\$260,766							
15													
16			Ð	F	[6]	IHI	Ш	(I)	K		βνθ	Z	[F]
17			Original amount				Chino		Portion allocated	Amount allocated	Amount allocated	Chino Meadows	Amount to be
18		Company	allocated to		Staff Adjustments		Meadows	Cost to be	to unregulated	to unregulated	to regulated		allocated to
19	DESCRIPTION	as filed	Granite Mountain	Reclassification	Disallowance	Normalize	Direct	Allocated	affiliate companies	affiliate companies	companies	allocation	Chino Meadows
50	Salaries and Wages	\$179,965	0\$	(\$15,718)	(17,444)	13,834	0\$	\$160,638	%0	0\$	\$160,638	80.50%	\$129,313
21	Salaries and Wages - Officers	31,700	000'9	0	(4,673)	0	0	33,027	%0	0	33,027	80.50%	26,587
22	Purchased Power	24,401	247	0	(40)	0	22,110	2,493	10%	249	2,244	80.50%	1,806
23	Chemicals	425	47	0	0	0	0	472	%0	0	472	80.50%	380
24	Repairs and Maintenance	8,899	633	1,281	(124)	0	2,159	8,530	%0	0	8,530	80.50%	6,867
25	Office Supplies & Expense	30,594	1,988	(12,000)	(2,804)	(208)	0	17,569	10%	1,757	15,812	80.50%	12,729
56	Rents	0	3,000	12,000	0	0	0	15,000	25%	3,750	11,250	80.50%	9,056
27	Contractual Services	11,457	490	(200)	(1,232)	0	3,489	6,726	%0	0	6,726	80.50%	5,415
28	Transportation Expenses	24,752	2,736	1,817	(7,380)	(180)	0	21,739	%0	0	21,739	80.50%	17,500
23	Insurance - General Liability	8,964	966	0	(1,058)	594	0	9,496	15%	1,424	8,072	80.50%	6,498
30	Insurance - Health and Life	2,667	296	0	0	0	0	2,963	10%	296	2,667	80.50%	2,147
31	Miscellaneous Expenses	8,848	245	(3,397)	(2,301)	0	2,903	490	0%	0	490	80.50%	395
32	Payroll Taxes	0	0	15,718	(1,539)	0	0	14,179	0%0	0	14,179	80.50%	11,414
33	Total	\$332,672	\$16,678	(\$299)	(\$38,601)	\$14,034	\$30,661	\$293,323		\$7,477	\$285,846		\$230,106
									•			45.00	
										.1	Calcuatton of Cost anit	ost onitt	
										Staff	\$274,085	70.12%	192,188
	References:									Company		88.00%	241,195
	Column [A]: Company Application - Attachment No. 2 Supplemental Page 1	- Attachment N	o. 2 Supplemental Page	1								Cost Shift	(49,006)

	Attachment No. 2 Supplemental Page 1
	Company Application -
References:	Column [A]:

Column [3]: Column [4]
Column [6]: Column [7]: Column [8]: Column [6]: Column [7]: Column [7]: Column [7]: Column [7]: Column [7]: Column [8]: Column [8]: Shedule TBH CM-19b
Column [8]: Shedule TBH CM-19b
Column [8]: Schedule TBH CM-19b
Column [8]: Schedule TBH CM-19d
Column [9]: Schedule TBH CM-19d
Column [9]: Column [9]: Col [9] + Col [9] + Col [9] + Col [1]
Column [9]: Col [9] + Col [9] + Col [9] + Col [1] + Col [1]
Column [9]: Col [9]: Col [1]

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS DISALLOWED

		[A]	[B]	[C]
LINE		COMPANY	STAFF	STAFF
NO.	DESCRIPTION	AS FILED	ADJUSTMENTS	AS ADJUSTED
1	Salaries and Wages	\$179,965	(\$17,444)	\$162,521
2	Salaries and Wages - Officers	31,700	(4,673)	27,027
3	Purchased Power	24,401	(46)	24,355
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	(124)	8,775
6	Office Supplies & Expense	30,594	(2,804)	27,790
7	Rents	0	0	0
8	Contractual Services	11,457	(1,232)	10,225
9	Transportation Expenses	24,752	(7,380)	17,372
10	Insurance - General Liability	8,964	(1,058)	7,906
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	(2,301)	6,547
13	Payroll Taxes	01	(1,539)	(1,539)
14				
15				
16	Salaries and Wages			
17	Unregulated salaries and wages - Schedule TBH CM-19f Line 7	(\$17,444)	(\$17,444)	
18				
19	Salaries and Wages - Officers			
20	Pay adjusted to reflect actual time worked	\$0		
21	Duties assigned to office manager	(4,673)	(4,673)	
22	Dates assigned to office manager			
23	Purchased Power			
24	To adjust for late fees	(\$46)	(\$46)	
	To adjust for face ices	(4.13)		
25	D 1 W			
26 27	Repairs and Maintenance	(\$124)	(\$124)	
1	To adjust for personal expense	(\$12.1)	(42-1)	
28	Off O U O F			
29	Office Supplies & Expense	(\$44)		
30	Interest and Late Fees	(1,888)		
31	Mrs. Levie Phone & Charges, Collect Calls, Paul International Call & Plan	(218)		
32	Meals D	(524)		
33	Miscellaneous Personal Expenses	(130)	(\$2,804)	
34	2010 Expense	(130)	(\$2,007)	
35				
36	Contractual Services	(61 222)	(\$1,232)	
37	Legal Fees for Fire	(\$1,232)	(\$1,232)	
38				
39	Transportation Expenses	2000		
40	Gas Reimbursement \$100 per month - Company no longer providing	(\$800)		
41	Personal Use Purchases - Tires	(2,497)		
42	Out of State Gasoline Purchase	(2,229)	#t= 200	
43	Bulk Delivery of Gasoline to Paul's Home (530 gallons)	(1,854)	(\$7,380)	
44				
45	Insurance - General Liability			
46	Remove Vehicle AZ-1 DR CM TBH 1.39 Unregulated Associated Co.	(\$1,058)	(\$1,058)	
47				
48	Miscellaneous Expenses			
49	Gifts	(\$1,559)		
50	Meals	(683)		
51	Donations	(60)	(\$2,301)	
52				
53	Payroll Taxes			
54	Non-regulated payroll taxes - Schedule TBH CM-19f Line 7	(\$1,539)	(\$1,539)	
	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·		

OPERATING INCOME ADJUSTMENT NO. 5 - 4-FACTOR ALLOCATION CALCULATION

		Weigl	Weight 2.5x Weight 2.5x		Weight 1x			
Line No.	Company	Customer Count Test Year	Customer Count % Test Year	Customer Count 2018 Projected	Customer Count % 2018 Projected	Gross Plant in Service	Gross Plant in Service %	SimplifiedA llocation Factor %
1	Antelope Lakes	2		2		\$116,938		
2								
3	Chino Meadows	899	88.14%	899	85.86%	795,909	47.90%	80.5%
4	Granite Mountain	121	11.86%	148	14.14%	865,831	52.10%	19.5%
5	Total	1,020	•	1,047	_	\$1,661,740		100.0%
6								

Note: Antelope Lakes shown for reference only, not used in cost allocation model.

OPERATING INCOME ADJUSTMENT NO. 5 - ALLOCATIONS OFFICER'S SALARIES CALCULATION

[A]

LINE		Officer Salary				
NO.	DESCRIPTION	Hours worked per month				
1	Supervision and management of company personnel	12				
2	Oversight of company operations	6				
3	Provide strategic direction	6				
4	Review company financial data including payables, receivable, revenue and expenses	12				
5	Provide legal representation for Company	8				
6	Review payroll and sign checks	4				
7	Review and authorize all vendor payments	4				
8	Acquire regulate and oversee company loans and long-term debts	8				
	Meeting with operations management to review capital program and address operational issues and ensure					
9	proper facilities and equipment are available					
10	Develop and review company processes and procedures to ensure regulatory compliance	8				
11	Review & advise Company on manuals such as employee handbook & emergency response manual	1				
12	Total Monthly Hours	89				
13	· · · · · · · · · · · · · · · · · · ·					
14	Caluclated Salary - Monthly Hours * \$36.25 * 12 months	38,715				
15	Actual Salary	37,700				
16		Í				
17	Lower of Calculated Salary and Actual Salary	\$37, 700				
18	Less Additional Increase for Operations Manager from 2013 to 2014 ²	(4,673)				
19	Adjusted Officers Salary	\$33,027				
20	¹ Based on Annual Salary of Mr. Levie (Half Time Employee) \$31,700 for Chino Meadows and \$6,000 for Granite Mountain =					
21	\$37,700. Annual Salary / 1,040 hours per year (52 weeks x 20 hours per week) = Hourly Rate of \$36.25					
22	² Operations Manager's Salary for 2013 was \$50,683 and for 2014 was \$55,356. The additional increase is \$4,673.					

References:

Column [A]: Company Application - Attachment No. 2 Supplemental Page 1

Column [B]: Column [C] - Column [A]

Column [C]: As calculated by Staff on line 24

Column [D]: Per DRs CM TBH 1.26.g, CM TBH 2.12 and CM TBH 3.7